Key Strategies for Your IP Portfolio

Jeremiah B. Frueauf, Partner
Where’s the value?

- Human capital
- Physical assets
- Contracts, Licenses, Relationships
- Intellectual Property
  - Patents
    - Utility, Design
  - Trademarks
  - Copyrights
  - Trade Secrets
  - Know How
## Patents vs. Trade Secrets

<table>
<thead>
<tr>
<th>Feature</th>
<th>Patents</th>
<th>Trade Secrets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Applicable Law</strong></td>
<td>Federal</td>
<td>State</td>
</tr>
<tr>
<td><strong>Exclusivity</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Government Grant</strong></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td><strong>Requirements</strong></td>
<td>Invention and application to USPTO</td>
<td>Information created, kept secret, and has independent economic value due to secrecy</td>
</tr>
<tr>
<td><strong>Novelty</strong></td>
<td>Required</td>
<td>Cannot be generally known or ascertainable</td>
</tr>
<tr>
<td><strong>Obviousness</strong></td>
<td>Must be nonobvious</td>
<td>Cannot be generally known or ascertainable</td>
</tr>
<tr>
<td><strong>Duration</strong></td>
<td>Generally 20 years</td>
<td>Potentially unlimited</td>
</tr>
<tr>
<td><strong>Reverse Engineering</strong></td>
<td>Potential infringement</td>
<td>Defense if properly acquired</td>
</tr>
<tr>
<td><strong>Loss of Rights</strong></td>
<td>Public domain – expected</td>
<td>Public domain – unexpected</td>
</tr>
</tbody>
</table>
Commercializing ideas

- Patents: Valuation, Protection, Exclusivity
- Trade secrets: Protection, Valuation(?), No exclusivity
What's happening to IP?

Patent Reform – First Wave

- Changed from a “first-to-invent” system to “first-inventor-to-file” system
- Provided for prioritized examination
- Introduced new ways to challenge competitors patents and applications at USPTO
What’s happening to IP?

Patent Reform – Second Wave

Five bills proposed in 2015:

1. TROL Act (H.R. 2045)
2. Innovation Act (H.R. 9)
3. STRONG Patents Act (S. 632)
4. PATENT Act (S. 1137)
5. Innovation Protection Act (H.R. 1832)
Patent Reform 2015

Why is it important?

The VC community has openly opposed reform as a threat to their bottom-line and that of small companies:

1) Fee-shifting – creates a loser-pays legal fees regime
2) Joinder – creates a pass-through mechanism to shareholder(s) if losing company cannot pay
3) Process – adds heightened pleading standards and mandatory delay to discovery and dispute resolution

“A patent is only as effective as the ability to enforce it, and these bills will make it prohibitively expensive for many small businesses to protect their technology . . . . Those of us who back startups view enforceable patents as a fundamental requirement for many investments. Consequently, we will be less inclined to support many worthwhile innovations that require intellectual-property protection to succeed in the market.” – S. Sandell, 5/31/15
What’s happening to IP?

Trade Secrets Legislation

- Same bill introduced in House and Senate (July 28, 2015)
- Third year of introduction
- Creates federal right of action for trade secrets misappropriation for product or service in interstate or foreign commerce
- Federal remedies of injunction, damages, and seizure available
What can you do?

➢ Get involved in the legislative conversation:
  • Need to strike a balance between competition and patent rights
  • Contact your representative

➢ Adapt and improve:
  • Promote innovation
  • Commercialize ideas
### New patent portfolio options

#### Your Portfolio

<table>
<thead>
<tr>
<th>Pre-Filing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Options Affecting</strong></td>
</tr>
<tr>
<td>Inventor Declarations</td>
</tr>
<tr>
<td>Simpler</td>
</tr>
<tr>
<td>Due at Allowance</td>
</tr>
<tr>
<td>Power of Attorney</td>
</tr>
<tr>
<td>Application Data Sheet</td>
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</tbody>
</table>

#### Examination

**Rapid Patent Portfolio Creation**
- "Track One" Acceleration
  - Prioritized Examination
  - 1 year to Final Disposition
  - Extensive Interviewing
- Available for Applications
  - Up to 30 Claims Total
  - Up to 4 Independent
  - Add $4,000 Filing Fee ($2,000 for small entity)
  - Add $300 Publication Fee
  - Add $140 Processing Fee ($70 for small entity)
- Track One RCE Available

#### First to File

**New Patent Laws**
- First to File March 16, 2013
- 1 Year Grace Period
- Expanded Prior Art ($102)
- Protection from Derivation

#### Against Others

<table>
<thead>
<tr>
<th>While Pending</th>
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<tbody>
<tr>
<td><strong>Submissions by Third Parties</strong></td>
</tr>
<tr>
<td>Submit material with concise statement of relevance</td>
</tr>
<tr>
<td>Not required to disclose real party in interest</td>
</tr>
<tr>
<td>Not limited to prior art - e.g., can be court filings</td>
</tr>
<tr>
<td>Submitted material can already be of record</td>
</tr>
<tr>
<td><strong>Timing:</strong> before allowance or before the later of 6 months from publication or the date of first claim rejection</td>
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<table>
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<tr>
<th>Protests by the Public</th>
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<tbody>
<tr>
<td>Any fact or &quot;information&quot; adverse to patentability</td>
</tr>
<tr>
<td>Including arguments - e.g., obviousness, eligibility</td>
</tr>
<tr>
<td>Available for patents in reissue proceedings</td>
</tr>
<tr>
<td><strong>Timing:</strong> before publication or allowance, whichever is first, unless with written consent of applicant</td>
</tr>
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#### Challenges to Issued Patents

<table>
<thead>
<tr>
<th>Before Examiners</th>
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<tbody>
<tr>
<td>Rule 501 Practice</td>
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<tr>
<td>Ex Parte Reexamination</td>
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<tr>
<th>Strategic Considerations</th>
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<tbody>
<tr>
<td>Etoppels</td>
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<tr>
<td>Concurrent Litigation</td>
</tr>
<tr>
<td>Standing to Challenge §§ 101, 102, 103, 112</td>
</tr>
<tr>
<td>Nature of Prior Art</td>
</tr>
<tr>
<td>Privity with Patent Owner</td>
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<tr>
<td>Standards for Initiating</td>
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<tr>
<td>Cost of Proceedings</td>
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<table>
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<tr>
<th>Before PTAB Judges</th>
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<tbody>
<tr>
<td>Inter Partes Review</td>
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<tr>
<td>Post-Grant Review</td>
</tr>
<tr>
<td>Covered Business Method</td>
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Obtaining a patent

Old World

- File
- 1 year
- 2 years
- 3 years
- 4 years
- 5 years
- Typical “Final Disposition” in 3-5 years in U.S.

- U.S.
  - $$$ Standard Prosecution
- Foreign
  - $30 months
  - $$$ National Phase

New World

- Avg. “Final Disposition” in 6.5 months

- U.S.
  - $$ Track 1
- Foreign
  - $$$ (no PPH fee)
Track One prioritized examination

PATENT GUIDE

Average Time to Final Disposition

6.5 months

Time will depend on examination and your response

$4,000
Cost of Petition

• Special status without a required pre-examination search
• 50% discount for small businesses
**Patent Prosecution Highway**

**PATENT GUIDE**

**Average Time to Final Disposition**

10.7 months

Time will depend on examination and your response

$0

Cost of Petition

- Speeds examination process for participating IP office
- New pilot launch Jan. 2014 using common form/expectations
- High allowance rate
Combine new ways to accelerate
Global initiatives to accelerate examination

➢ To promote the development and commercialization of clean technologies, patent offices around the world have adopted programs to expedite the examination of patent applications pertaining to clean technologies:

- Australia (2009)
- Brazil (2012)
- Canada (2011)
- China (2012)
- Israel (2009)
- Japan (2009)
- South Korea (2009)
- United Kingdom (2009)
Enforcing/Defending a patent

**Old World**

- **File**: $$$
- **1 year**:
- **2 years**:
- **3 years**
- **District Court Litigation**: Median ~ 2.5 years
- **Inter Partes Reexamination**: $$$
- **Average ~ 30-41 months from filing to certification**

**New World**

- **1 year deadline from petition to final disposition**
- **PTAB**: $$$
- **+ 6 months for exceptional cases**

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New options to defend against patents

Inter Partes Review

Post Grant Review

PTAB

Covered Business Method Patent Review
USPTO trial timeline


Inter partes review

PATENT GUIDE

Estimated Time to Final Disposition

< 12 months

Time will depend on examination and parties responses

$ 23,000
Base Fee for Petition

• Allows petitioner to challenge validity of patent on limited grounds of prior art
Growth strategies for your algae patent portfolio

- Quicker patent portfolio creation options
  - New products/co-products
  - Start-ups
  - Companies seeking funding
  - Companies facing patent threats

- Speedy PTO trial alternative
  - Offensive in support of licensing
  - Defensive in support of freedom to operate

- Return on investment on patent expenditures
  - More time-certain investment
  - Quick results
  - Informed decision-making
Checklist for decision-makers

• Articulate an IP strategy with patent counsel
• Know what differentiates your innovation
  – Patentability search (others are smart)
  – What features are valuable (sought by customers, unique to product)
  – Meet or beat tightened patentability standards
• File early if you are going to file
• Accelerate key patent applications
• Interview examiners
• Consider all options when threatened including patent defenses at USPTO and rapid patent portfolio creation
• Be involved in the on-going legislative conversations
Questions?

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Abstract

At the helm of any industrial biotechnology financial transaction are the patents and trades secrets protecting the technology. Algae companies that have seen significant growth in the industrial biotechnology space have relied on sustained funding support, successful scale-up, and solid intellectual property portfolios. Protecting this growth in the new era of intellectual property reform has never been more important. This presentation will discuss new strategies for portfolio building in view of the changing patent landscape, as well as likely enactment of federal trade secret protection in 2015. As always, the benefit of exclusion afforded by disclosure through the patent system must be balanced with trade secrets and the risk-benefit ratio of their disclosure. However, algae companies must now also consider whether best practices for patent procurement and enforcement in view of, e.g., new post-grant opportunities before the U.S. Patent & Trademark Office, should shift the balance between patents and trade secrets.