

► Patents and property

A primer on legal rights for start-up companies

With early legal advice, a start-up can obtain needed intellectual property rights for a relatively low cost and avoid potentially disastrous problems in the future.

Freedom to operate

After the start-up has a core technology and a business plan, it should engage competent patent counsel to give a “freedom to operate” opinion to the company. The report should address issues such as whether the planned product or process could infringe claims in issued patents or potentially infringe claims in published patent applications, whether there is patented technology that is integral to the proprietary product or process, whether patents owned by others might dominate the proprietary product or process, and whether such technology is available for licensing.

A company might want to consider less costly ways to preserve its right to use the technology and stop others from obtaining a patent on its invention. One short-term strategy is to publish the technology. In the United States, inventors have one year to file a patent application on an invention that is published or sold in the United States before the technology is no longer patentable. In most foreign countries, however, if the technology is published, any patent rights are lost immediately.

Another alternative, especially if your core technology cannot be easily reverse-engineered, is to keep it a trade secret. A trade secret is defined as information that has actual or potential economic value because it is not widely known and cannot be discovered readily by viewing public sources and has been subject to reasonable



measures to maintain its secrecy. Unlike patents, trade secrets never expire and can be protected through nondisclosure agreements, internal security, and educating employees in how to keep this information secure.

Companies should also consider that a novel product might not be worth developing if it will be subject to rigorous federal regulations (e.g., FDA or U.S. Department of Agriculture) before it can be marketed. Compliance with federal regulations is costly and time-consuming.

Invent or own

Inventorship and ownership issues are common intellectual property problems faced by a start-up. Actually claiming inventorship requires that you either conceive or reduce to practice an invention claimed in the patent. Improper inventorship can be grounds for invalidation of a patent. It is imperative that when the company decides to file a patent application, patent counsel ascertains which personnel are likely to be inventors under the law.

Ownership is crucial with regard to who has the right to license and/or use the technology claimed in the patent or patent application. Under U.S. patent law, an inventor is assumed to be the owner of a patent until he or she assigns it to a third party. A company can protect its intellectual property rights ahead of time by having a policy that states that all work done by an employee is the property of the employer and that all employees have a duty to assign to the company their rights to any intellectual property developed while employed by the company.

The bottom line is that intellectual property strategy should always be of primary importance in the development of a new company. Having appropriate legal counsel to identify and solve legal problems early on will prevent a lot of monetary and mental anguish later.

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(both of the Shanks & Herbert law firm, Alexandria, VA)

Industry items

IBM (www.ibm.com) recently announced an agreement with **Chemical Computing Group** (www.chemcomp.com), **Tripos** (www.tripos.com), and **Wavefunction** (www.wavefun.com) to port software companies' drug discovery applications to IBM eServer systems running Linux, Unix, and Windows operating systems.... Using **Promega** (www.promega.com) DNA typing products, the Commonwealth of Virginia has become the first state to mark 1000 DNA matches from its Division of Forensic Science DNA database.... **Novartis** (www.novartis.com) struck a research deal to use **Beyond Genomics'** (www.beyondgenomics.com) biology platform for identifying diagnostic and prognostic mark-

ers of cardiovascular disease.... The **National Cancer Institute** (NCI, <http://www.cancer.gov/>) established an agreement with **Agilent Technologies** (www.agilent.com) that allows members of the NCI's Mouse Models of Human Cancers Consortium to purchase Agilent microarrays.... Reinhard Schneider stepped down from his post as chief information officer at **LION bioscience** (www.lionbioscience.com) as the company trimmed its executive board to three members.... **Novo Nordisk** (www.novonordisk-us.com) announced that NovoLog, the company's insulin analog product, is now available nationwide in the United States in NovoLogic FlexPens, prefilled syringes for the treatment of diabetes.