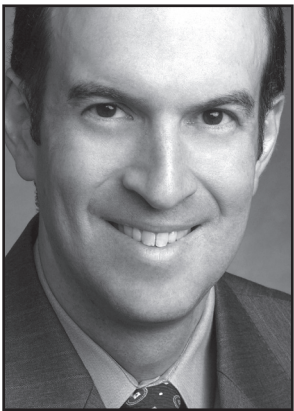


NEW JERSEY TECHNEWS

EXPERT VIEW: LEGAL EAGLE

Blowing Your IP Rights When Shopping For Venture Funding

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While the invention of something new is exciting and rewarding, great precautions must be taken before publicizing, marketing or exploiting it. In fact, valuable patent rights may be lost if the proper precautions are not taken before disclosing your invention to third parties including potential investors.

A patent creates a legal monopoly by allowing an inventor to prevent others from making, using or selling your patented invention. While the laws of other countries differ, generally, foreign patent rights offer the same protections as U.S. rights. As a result, having a patent is a great asset to a company because it can protect its most significant assets.

A patent may protect a company's innovations or business practices. Consider, for example, that patent protection for companies such as priceline.com or Ebay may protect how these companies practice their business and prevent others from doing the same thing the same way. Patents also attract investors. Patents create a tangible, credible asset that provides assurances to venture capitalists that other companies may not enter the niche market carved out by the patent so it is less likely to dilute any return on investment.

The U.S. allows a one-year grace period after public disclosure of an invention to the time of actual patent filing. No one can get a patent on the invention after this time. This is considered a one-year statutory bar. A "public disclosure" can be as simple as a conference speech, a white paper, an offer for sale or a marketing brochure. It's often hard to monitor the actions of all employees of a company familiar with the invention so a thorough understanding of patents rights by all is essential in order to adequately preserve those rights.

Several legal instruments can provide protection for inventors wishing to disclose an invention to outside parties.

Filing a patent application is the best course of action to take; however, confidentiality agreements can offer some measures of protection. Caution should be taken when using these agreements prior to a patent application filing. For example, they may prevent the signatory from disclosing the invention to another but if a third party obtains the invention inadvertently; this may be considered a public disclosure. These agreements also need to contain the appropriate protections. For instance, a confidentiality agreement

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used in clinical drug trials that protects patient information and drug protocols but not the drug compound information itself may not be considered an effective confidentiality agreement. Similarly, an offer for sale cannot be protected by the use of a confidentiality agreement.

While the U.S. provides a one-year grace period for filing a patent after disclosure, foreign countries do not grant such a leniency. Therefore, a foreign patent application must be filed before any publicly enabling disclosure is made. One can rely on a U.S. patent filing before taking any action that might trigger a foreign statutory bar as long as the foreign patent is filed within one year of the U.S. patent filing.

An inventor should also consider whether to file a provisional or a non-provisional patent application first. A provisional patent application allows one to market one's invention with "patent pending" while obtaining the earliest possible filing date and avoiding a statu-

tory bar. A non-provisional application and foreign applications must be filed within one year of the date of filing of the provisional application. A provisional patent application is significantly less expensive than a non-provisional application as it may be less formal than a non-provisional patent application.

A lesson to be learned is that patenting one's invention is a key part to a company's success -- no protection can render a company extremely vulnerable to the competition.

Protection at the start can prevent unnecessary problems down the road and lead to greater financial success. It is best to file first before any public disclosure, use or offer for sale. If this is not possible, be keenly aware of the statutory one year trigger events that may lead to a statutory bar and tell your patent attorney of your actions as soon as possible so that the situation can be assessed and patents can be filed within the appropriate time limits.

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