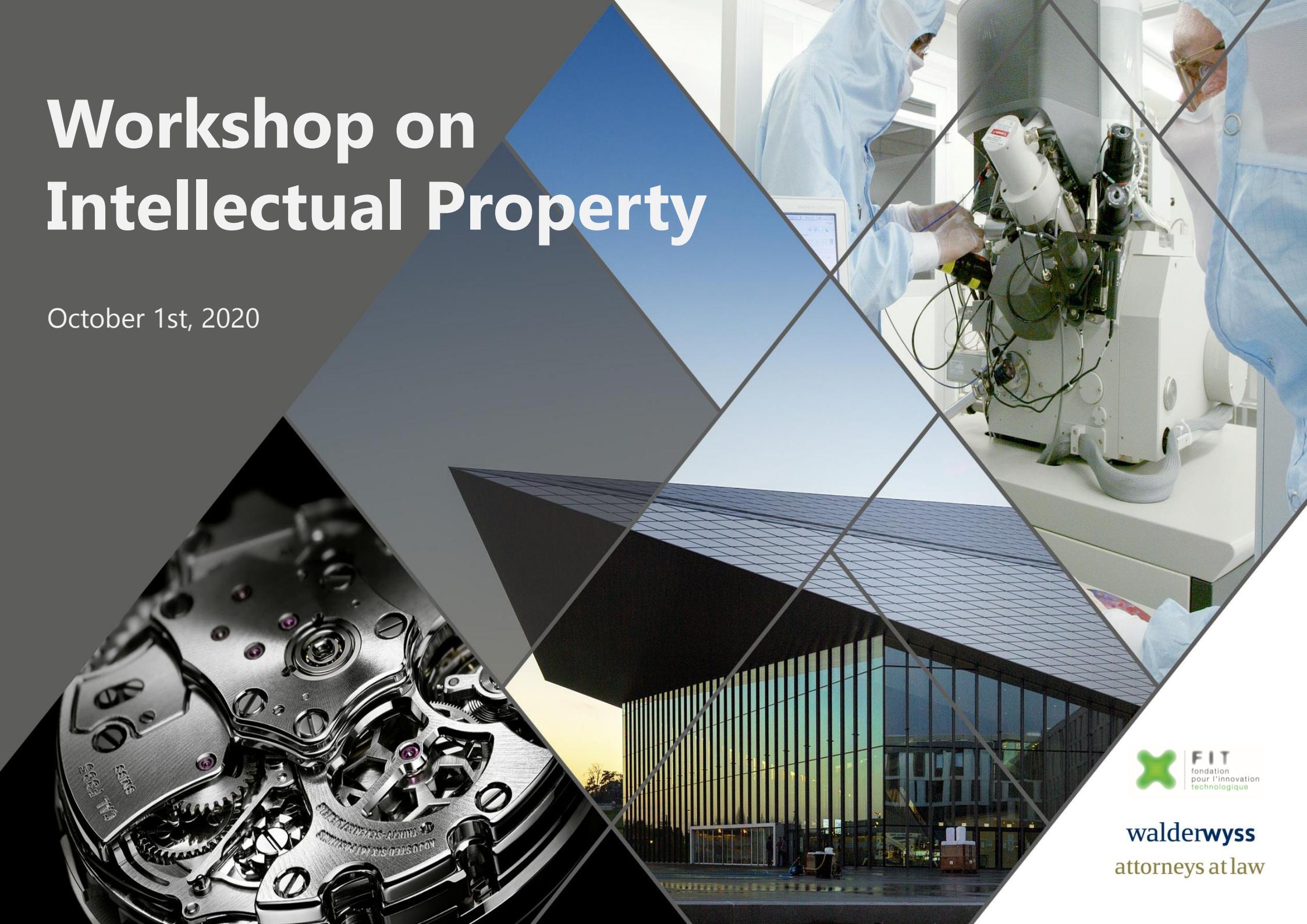
Workshop on Intellectual Property

October 1st, 2020



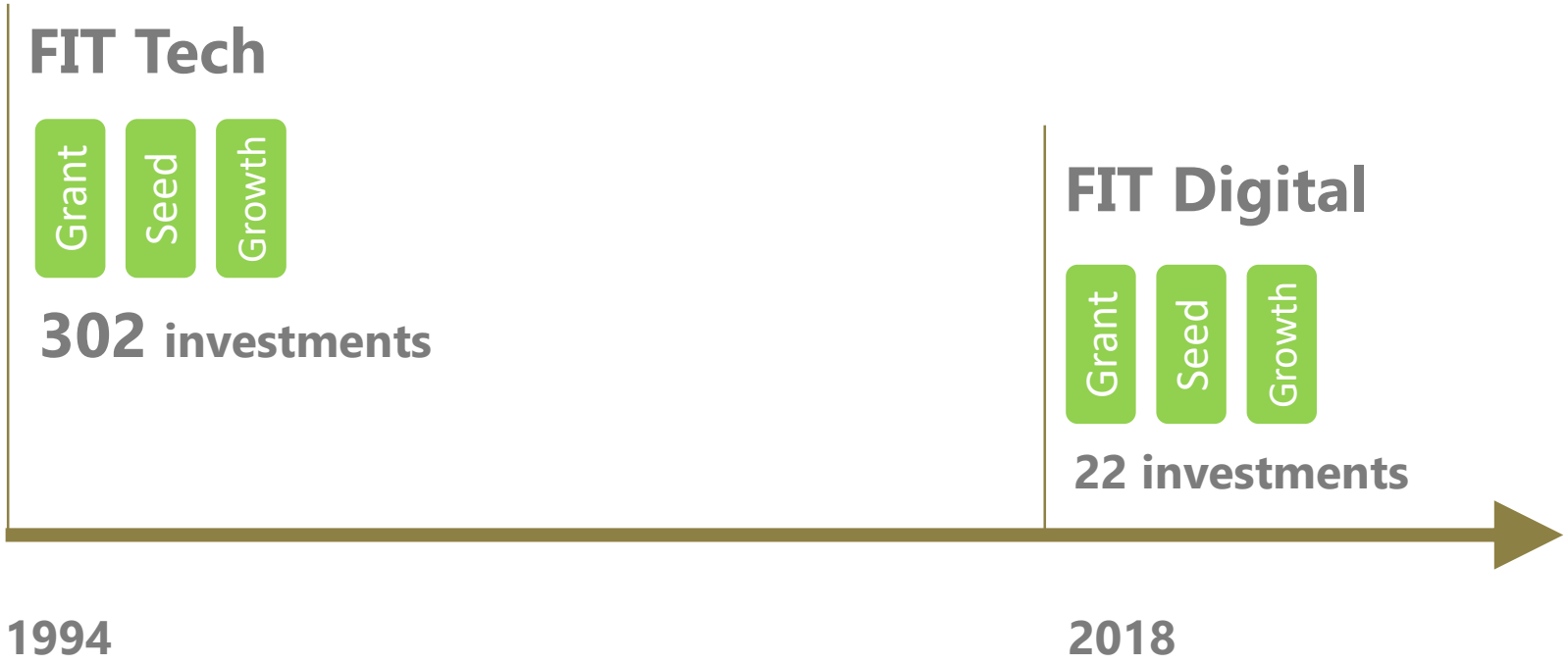
FIT
fondation pour l'innovation technologique

walderwyss
attorneys at law

Agenda

1. Presentation of the FIT
2. Presentation of Walder Wyss
3. Intellectual Property: The dos and don’ts for start-ups
4. Q&A

FIT: We are Tech and Digital



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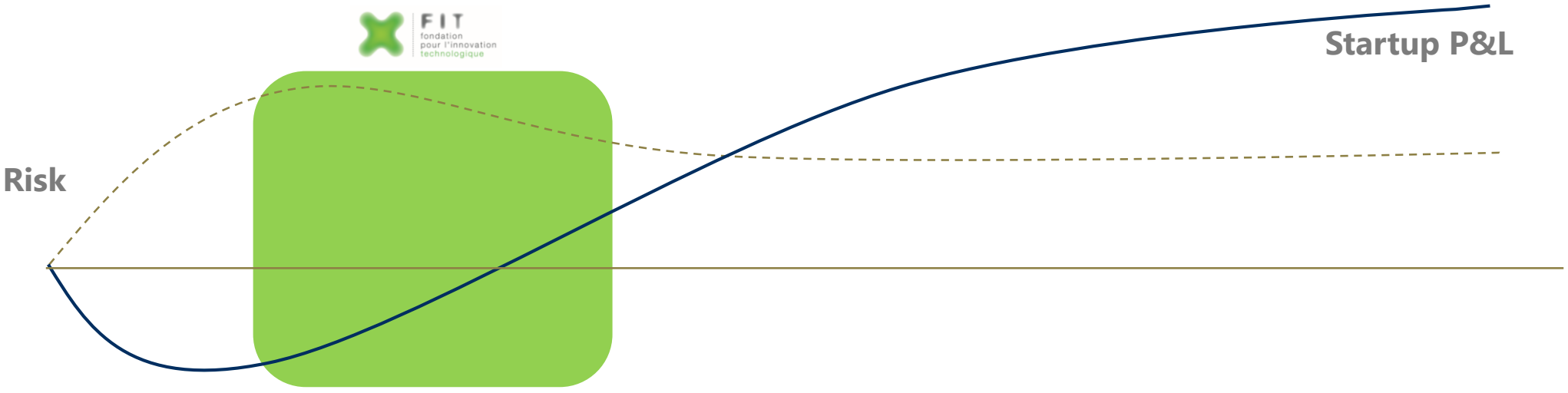
FIT: We are early-stage

Early Stage			Growth Stage			Exit
FFF	Seed	Serie A	Serie B	Serie C	Serie D	
FIT Grant	FIT Seed Loan	FIT Growth Loan				



Tech from CHF 100 – 500k
Digital from CHF 20 – 200k

FIT: The FIT since 1994

64 Grants

257 Loans
- 213 FIT Seed
- 44 FIT Growth

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CHF 45m

+2bn raised by startups

74% success rate

177 active startups

2’200 jobs created

TOP 100
STARTUP AWARD

TOP 5 3

TOP 100 25

Thank you

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FIT Members

VAUD

EPFL BCV CVCI CHAMBRE VAUDOISE DU COMMERCE ET DE L'INDUSTRIE

EPFL Innovation Park

ECOLE HOTELIERE LAUSANNE

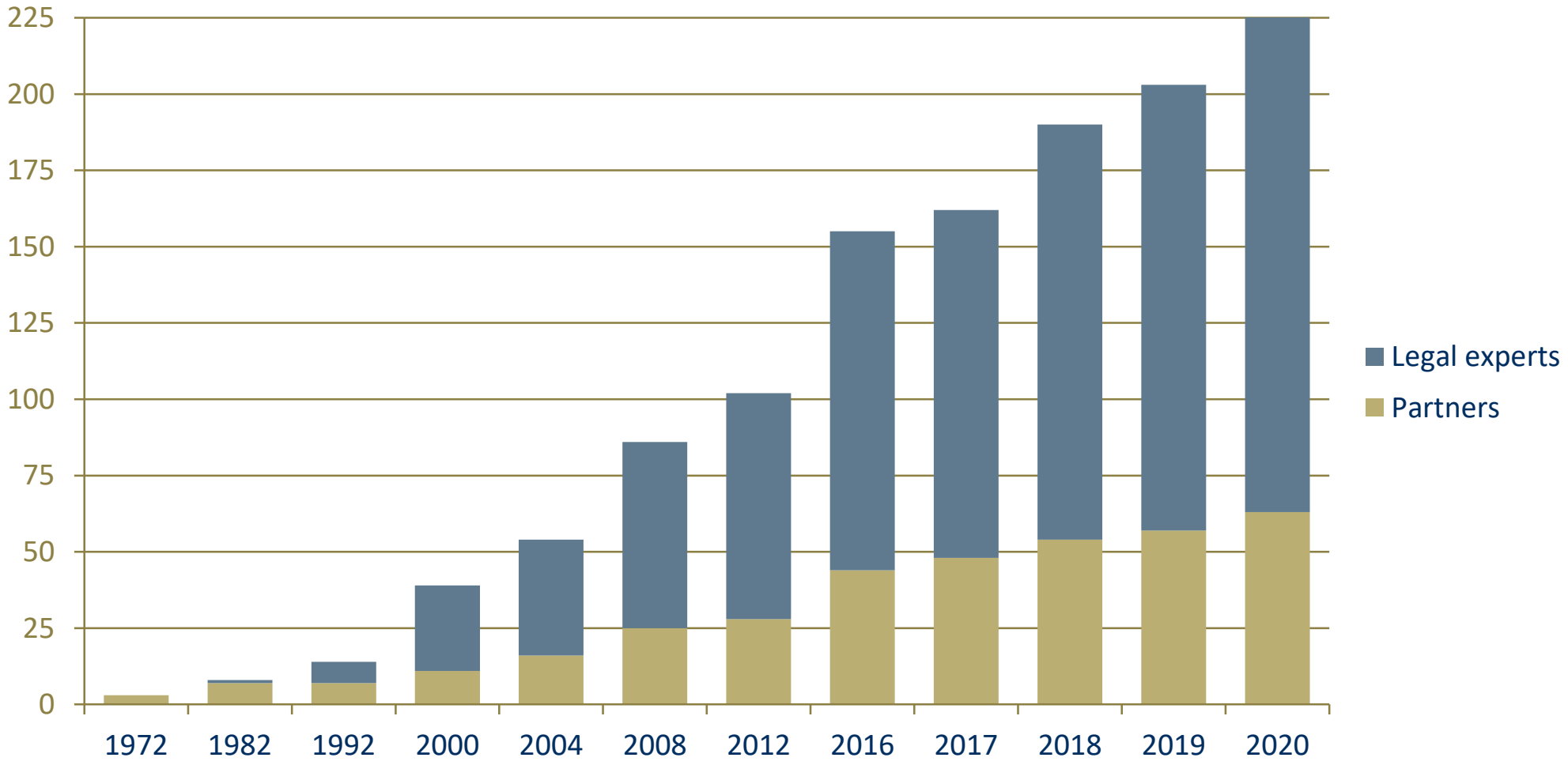
SWISSQUOTE

Lausanne

FIT fondation pour l'innovation technologique

Welcome

Facts & Figures
Team



Rankings & Awards
Local and international recognition

Walder Wyss Ltd

Walder Wyss Ltd

Walder Wyss Ltd

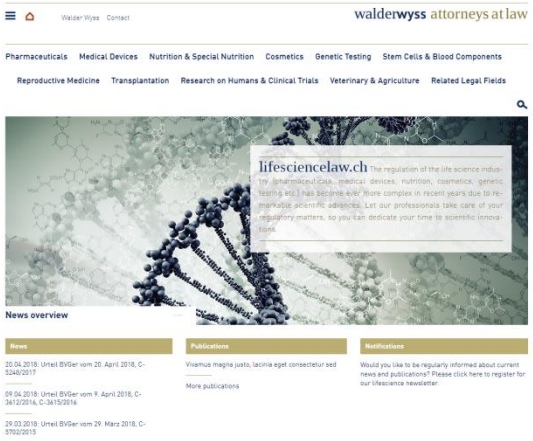
About us
At the forefront of developments

Startuplaw.ch

Dataprotection.ch

Beschaffungswesen.ch / adjudications.ch

Lifesciencelaw.ch



Intellectual Property Protection for Start-Ups: The Dos and Don'ts

Walder Wyss Ltd.
Jürg Schneider & Hugh Reeves

walderwyss attorneys at law

Topics

1. Why does IP matter?
2. What is IP and how to protect it?
3. IP contracts
4. Staying out of harm's way
5. Key take-aways
6. Q&A!

1. General Considerations on the Importance of IP

- The World Intellectual Property Organization (WIPO) highlights this Article available at https://www.wipo.int/pressroom/en/articles/2017/article_0012.html

New WIPO Study Gives First-Ever Figures on Value of "Intangible Capital" in Manufactured Goods

Geneva, November 20, 2017
PR/2017/813

Go to: WIPR findings | Case studies: Smartphones, Coffee, Solar panels

First-ever figures reveal that nearly one third of the value of manufactured products sold around the world comes from “intangible capital,” such as branding, design and technology, according to a WIPO study of the global value chains companies use to produce their goods.

1. General Considerations on the Importance of IP

- Or in other words

  Mary Juetten, Forbes, 2 October 2014, available at https://www.forbes.com/sites/maryjuetten/2014/10/02/pay-attention-to-innovation-and-intangibles-more-than-80-of-your-business-value/

Pay Attention To Innovation And Intangibles -- They're More Than 80% Of Your Business' Value

Mary Juetten Contributor

Businesses today have challenges capturing innovation and even more of an uphill battle with intangible asset valuation and management. These non-tangible assets are over 80% of the average business' value. When it comes to startups, the number is even higher. That value is the number you are using to raise money, sell your business, or attract financing.

Topics

1. Why does IP matter?
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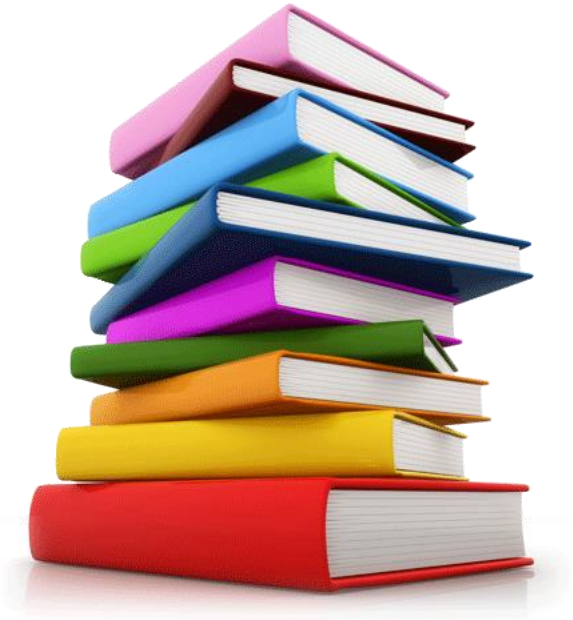
2. Types of IP - Copyright



```
// read InputRegAddr8 into DeviceDataBuf16
if (InputRegAddr8 == MAX1385::rd_FIFO) {
   myDevice.ReadWord_HiLo(InputRegAddr8, &DeviceDataBuf16);
   if ((DeviceDataBuf16 & MAX1385::FIFO_Tag_Mask) == MAX1385::FIFO_F) {
      // FIFO contains FLAG, not the channel we were looking for.
      if ((DeviceDataBuf16 & MAX1385::FLAG_ADCBUSY) == 0) {
         // trigger another conversion
         myDevice.WriteWord_HiLo(MAX1385::wr_ADCCON,
               (1 << ADCCONselectedBit_0_6));
      }
      continue; // this C++ statement means go back to the start of the loop
   }
   // FIFO contains some channel data. Assume it's the correct channel.
   DeviceDataBuf16 &= MAX1385::FIFO_Data_Mask;
} else {
   // our input register is not the FIFO, so we just read the register directly
   myDevice.ReadWord_HiLo(InputRegAddr8, &DeviceDataBuf16);
}
// compare DeviceDataBuf16 to InputTargetData16, applying Hysteresis: adjust OutputData16
if (DeviceDataBuf16 > InputTargetData16 + Hysteresis) {
   OutputData16 -= ConvergeStep;
}
else if (DeviceDataBuf16 < InputTargetData16 - Hysteresis) {
   OutputData16 += ConvergeStep;
}
// Write the output value
myDevice.WriteWord_HiLo(OutputRegAddr8, OutputData16);
```

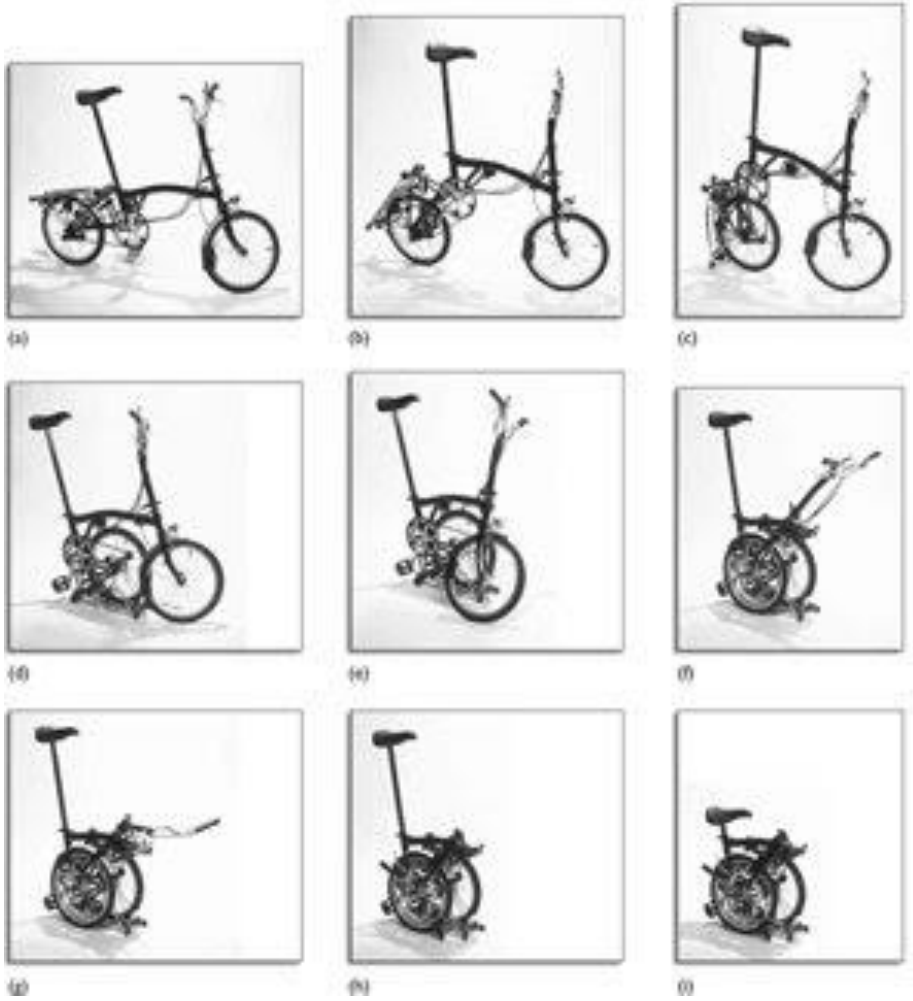
2. Types of IP - Copyright

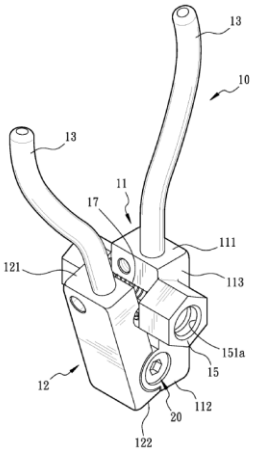
- Protects works, which are defined as literary and artistic intellectual creations with an individual character, irrespective of their value or purpose;
- Contrary to popular belief, “ideas” are not protected under copyright! Only the actual embodiment of the idea;
- Software? “Computer programs are also works” (art. 2 para. 3 CopA). But is this wise (in its essence, more of an “inventive step” than an “original work” because we look at the result; in its result, is the scope of copyright protection more helpful than patent protection)?;
- Rights of the copyright holder: copy, distribute, modify, make derivative works, perform, broadcast, retransmit, make publicly available;
- Duration: death + 70 years (50 for software).

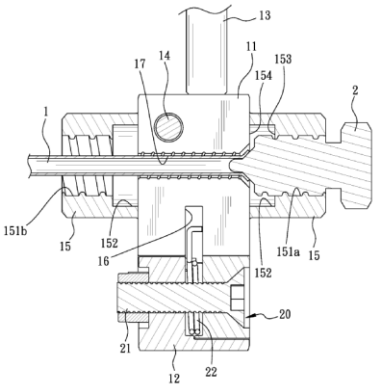
2. Types of IP - Copyright

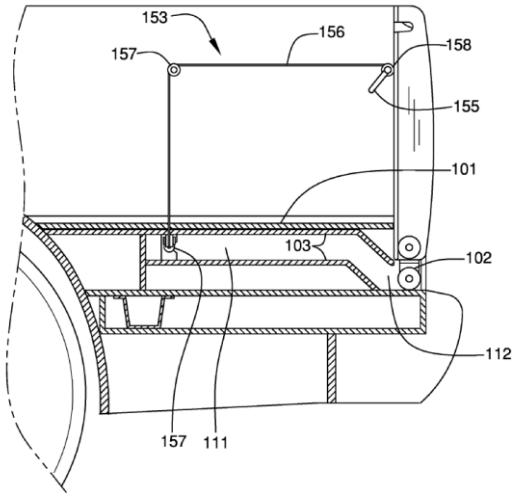
- Private use / fair use;
- Reverse engineering for interoperability purposes;
- Not a registered right! Protected upon creation, but beware of lack of evidence;

2. Types of IP - Patents









2. Types of IP - Patents

- Protects inventions of a technical nature which are novel, susceptible of industrial application, and non-obvious;
- Does not protect naturally occurring events as such, the laws of physics and other “discoveries”: e = mc^2, for instance;
- Does not protect inventions contrary to human dignity: for instance, processes for cloning human beings;
- Software? Computer-implemented inventions, but hard to have predictability here.
- 20 years from filing (not from issuance!). Patent prosecution often lasts up to 5 years;

2. Types of IP - Patents

- Switzerland uses a “first to file” rule and not a “first to invent”;
- Generally, novelty criteria means that publication or disclosure prior to filing will void the patent (teachings included in the “state of the art”, therefore not novel). A six months grace period may apply in limited cases;
- Decide on the international strategy (relevant markets for the life of the patent) prior to filing;
- Swiss touch: novelty and non-obviousness not reviewed by the office. This speeds things up but may also be a liability to the strength of the patent.

2. Types of IP - Trademarks

2. Types of IP - Trademarks

- A sign that distinguishes the goods and services of one company from those of another (trademark);
- Goods, services and the principle of speciality: protection is limited to the goods and/or services designated at the time of the application;
- Are not protectable in particular signs which belong to the public domain, shapes that constitute the nature of the goods themselves or that are technically necessary, misleading signs or signs contrary to public policy or morality;
- In addition, no protection for signs which are identical or similar to pre-existing ones in the same or similar classes of goods or services;
- First to file;
- Ten years from filing. Renewable for further ten year periods, ad perpetuum.

2. Types of IP - Trademarks

- Trademarks must be used! Five year grace period (after expiry of opposition period). This use must be in relation to the designated goods or services or at least not significantly different;
- Exclusive right to use the trademark for the claimed goods and services;
- Famous trademarks: “the winner takes it all”

2. Types of IP - Designs

- Design protection covers products (or parts of products) characterised by the arrangement of lines, surfaces, contours or colours or by the materials used;
- It needs to be new and possess and individual character;
- New does not actually mean new: "*A design is not new if an identical design which could be known to the circles specialised in the relevant sector in Switzerland has been made available to the public prior to the filing date or the priority date.*" (art. 2 para. 2 DesA);
- Important concept: design protection refused if "*the features of the design are dictated solely by the technical function of the product*" (art. 4 litt. c DesA);
- First to file (varying situation internationally, e.g. UK);
- Five years (from filing date), renewable four times;
- The rights holder can prohibit others from using the design for commercial purposes.

Topics

1. Why does IP matter?
2. What is IP and how to protect it?
3. IP contracts
4. Staying out of harm's way
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3. IP Contracts – Monetizing IP

– Boeing vice-president of IP Management, Peter Hoffman, explained:

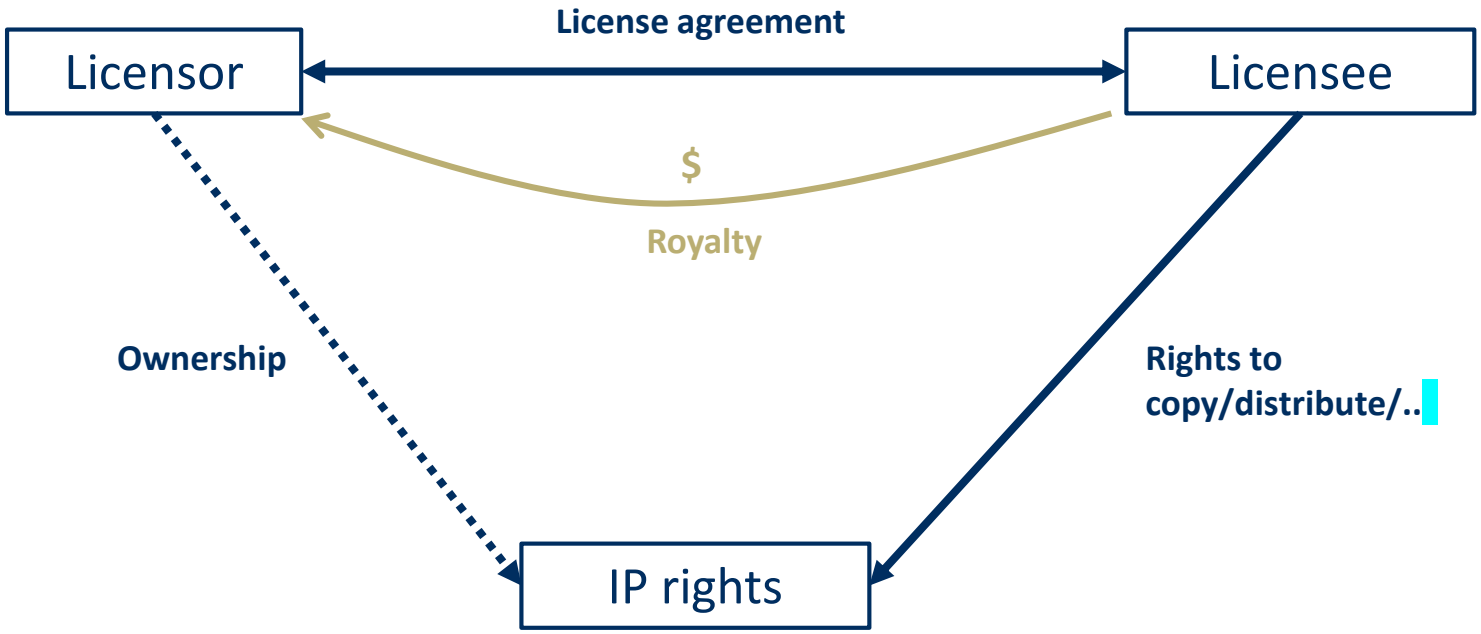
"*Boeing's portfolio of IP assets – our trademarks, copyrighted material, patents and trade secrets – is a corporate asset that we use to ensure we remain competitive. If we develop something new in network systems, for example, that has an application in a non-competing business, such as the auto industry, we are very interested in sharing that IP through licensing arrangements. It's a win-win scenario; the auto industry gets a new technology and avoids the costs of developing such a system and we generate additional licensing revenues.*"

(Peter Hoffman, Giving Innovation Wings: How Boeing Uses its IP, WIPO Interview with Catherine Jewell, 2014)

3. IP Contracts - Assignments

- It is the transfer of ownership over the IP;
- Simple scenario: university researcher, who is an employee, creates IP. This IP belongs to his employer because/if the employment contract (and the Swiss Code of Obligations) says so;
- It can be complicated: what if this researcher has a start-up side project and wishes to use the IP?
- So complicated: what if a successful start-up finds a buyer but it appears that some of the IP belongs to the founders and was not assigned to the start-up?
- What if the assignment is valid in Switzerland but invalid in other countries?

3. IP Contracts – The License



3. IP Contracts – The License

- Parties
- (Definitions)
- License grant: most important; Annex 1
- Royalties / fees: net sales? Royalty stacking; upfront payments; minimum royalties
- Records and audits
- Term and termination: what about “perpetual and irrevocable”? TfC, for cause, mandatory rights?
- IP rights: prosecution and maintenance; challenges?
- Reps and warranties
- LoL
- Indemnification
- Confidentiality
- All the boilerplates: force majeure, severability, assignability, CoC, …
- Applicable law and jurisdiction

3. IP Contracts – The License

- The license is the authorization to do certain things to or with the IP, but there is no transfer of title;
- All shapes and forms: handshake, words on a cocktail napkin, 1 pager, EULA, 300 pager.
- Can also be used when the owner of the IP wants to sell… but doesn't really want to sell (exhaustion of rights/first sale doctrine, parallel imports, etc.)
- Exclusive, sole, non-exclusive. But also, royalty-bearing, worldwide, unlimited in time, sublicensable, etc… or not;
- More than a contract: businesses need to decide early on how to monetize their IP: do they sell it? Do they license it out? Do they license other IP in?
- The license agreement offers quasi-unlimited possibilities to IP-intensive businesses

3. IP Contracts – What Else?

- Joint ventures and joint development agreements
- XaaS agreements
- Security interests over (registered) IP

3. IP Contracts – What else?

- Schematically, assignment is straight-forward: either it took place or it did not;
- Licenses present huge potential and equally important risks, because at the heart of any IP-intensive business → "handle with care":
  i. Beware when drafting a license agreement;
  ii. Beware when using OSS;
  iii. Do not license out your IP too quickly as you may never get it back (e.g. long-term exclusive license);
  iv. Be precise when explaining what IP exactly falls under the license agreement as well as the scope of the license (license grant);
- Homework is important: prior to sharing IP, find out the counterparty's track record, credibility, etc.

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4. Staying out of Harm's Way - Hot Topics

- Open Source Software and copyleft / viral licenses;
- International protection;
- NDA (or lack thereof);
- Company/individual names vs trademarks;
- Joint ownership of IP rights;
- Patent trolls;
- Employees.

4. Staying out of Harm's Way – OSS and copyleft

- A brief history
- Open Source Software: "open" but no free meal!
- OSS typically implies accessing the source code, allowing it to be shared, forfeiting any royalties, etc.
- Reminder: software = copyright; sharing of copyrighted matter = license
- Because of the need for a license, sometimes copyright goes copyleft
- Strong copyleft and viral licenses: a contamination of openness. In other words, one who enjoys OSS is "encouraged" to allow others to enjoy one's own software too, through the disclosure of its source code. Combination of the OSS under the viral license with closed-source software or other OSS can be very problematic (and legally challenging)
- The good, the bad and the ugly?

4. Staying out of Harm's Way – OSS and copyleft

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4. Staying out of Harm's Way – OSS and copyleft

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4. Staying out of Harm's Way – Joint Ownership over IP

- Two or more parties develop IP together and agree on joint ownership
- Problematic and frequent scenario: can one party solely (without the other's consent) license this IP to a third party?
- Answer: it depends on the type of IP (patent, copyright, etc.) and on the jurisdiction. The rules vary greatly!
- → Avoid joint ownership
- If not possible: invest (time and money) in a well-drafted agreement.

4. Staying out of Harm's Way – Employees

- "*Inventions and designs produced by the employee […]* ***in the course of his work*** *for the employer* ***and in performance of his contractual obligations*** *belong to the employer, whether or not they may be protected.*" (Article 332 para. 1 SCO);
- "*By written agreement, the employer may reserve the right to acquire inventions and designs produced by the employee* ***in the course of his work*** *for the employer* ***but not*** *in performance of his contractual obligations*." (Article 332 para. 2 SCO);
- Software: "*Where* ***a computer program*** *has been created under an employment contract* ***in the course of*** *discharging professional duties or fulfilling contractual obligations, the* ***employer alone*** *shall be entitled to exercise the exclusive rights of use*" (Article 17 CopA);
- No default rule for other copyrighted works and for trademarks;
- Risk: the start-up does not actually own all the IP (even if the founders believe so);
- Solution: draft good contracts. Careful with having separate jobs in parallel when working on IP. Ensure assignment from any other employer of all IP that is relevant to the start-up. Know your IP!

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5. Key Take-Aways

- IP is the substance of any given start-up. Hence the need to treat it with great care;
- Easy to make mistakes with IP (e.g. disclosing inventions before applying for a patent; unfavourable license terms, etc.);
- … but also easy to avoid these mistakes if we remain cautious and implement proper business practices;

Topics

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Thank you for taking part in this workshop

Join us for the next one!

Thursday, November 19th
Run a company

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walderwyss attorneys at law

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