

## PANEL DISCUSSION

# Getting To Market: Intellectual Property

### On the Panel:

**Rob Blasi:** IP Attorney - Goodwin Proctor LLP

**Steve Brown:** MIT Technology Licensing Office

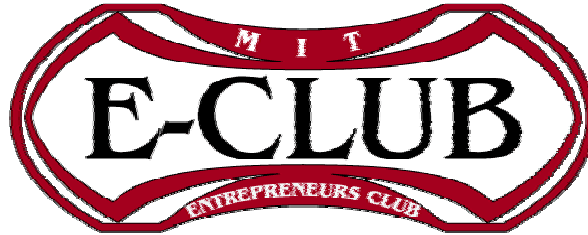
**John Preston:** Sloan Senior Lecturer, CEO Atomic Ordered Materials, Former Head TLO

**Bill Schnoor:** Corporate/Entrepreneur Law - Partner Goodwin Proctor LLP

**Moderator :** **Joe Hadzima**, Sloan Senior Lecturer, Main Street Partners LLC, IPVision

**Tuesday March 1, 2005, 7-9 PM**

**Room 2-105**



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The **MIT Entrepreneurs Club** is committed to the study, development, and incubation of high-tech startup companies. We meet each Tuesday at 6PM, run two 6-credit seminars, and sponsor panels and workshops. Visit (<http://web.mit.edu/e-club>) to learn more (or read the handy reference sheet that's being passed around).

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### **2004-05 Event Season**

Oct 19 Wireless Communication

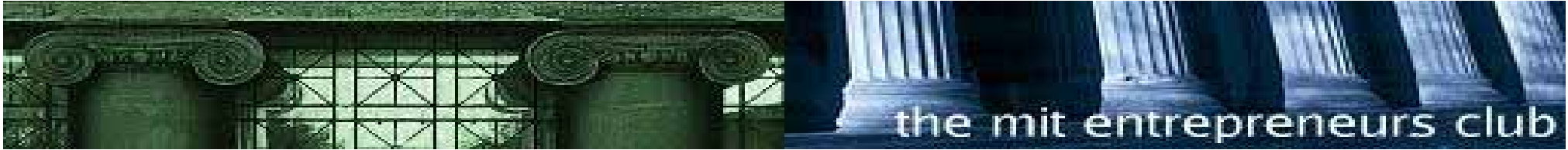
Nov 23 BioTechnology

Feb 15 Software

***Mar 01 Intellectual Property Law***

Mar 15 Energy & Transportation

----- You Tell Us



# Getting To Market: Intellectual Property

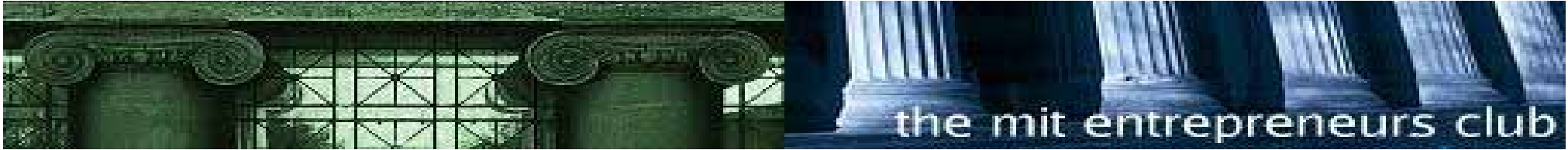
PANELIST: **Rob Blasi**, IP Law - Goodwin Procter LLP



**Robert Blasi is an associate in Goodwin Procter LLP's Business Law Department. Mr. Blasi's practice focuses on intellectual property transactions and strategy. His transactional practice includes source code review and analysis (including open source issues), intellectual property licensing, intellectual property due diligence, and opinion work concerning clearance, patentability, infringement and validity. Additionally, Mr. Blasi has worked on patent litigation in the Eastern District of Virginia, the Southern District of Florida, and the Southern District of Ohio. Mr. Blasi is a member of the Institute for Electrical & Electronics Engineers, the Federal Circuit Bar Association, the Boston Patent Law Association and the American Intellectual Property Law Association. Prior to joining Goodwin Procter, Mr. Blasi was an IP Attorney with Testa Hurwitz and Thiebault in Boston.**

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# Getting To Market: Intellectual Property

**PANELIST: Steve Brown, MIT Technology Licensing  
Office Ambassador**

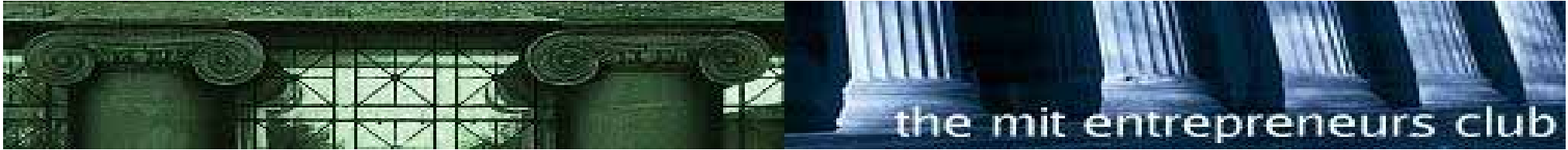


**Mr. Brown is the Licensing Office liaison with entrepreneurial programs and entrepreneurs, 50K and Deshpande Center judging, lecturer on intellectual property and entrepreneurship. From 1996 to 2004 Mr. Brown was a Licensing Officer at the TLO where he was responsible for managing the evaluation, prosecution, maintenance, marketing, and licensing of about seven hundred different inventions in the materials, chemicals, instruments, bio/pharma and medical device areas.**

**Prior to joining M.I.T. he was the Assistant Dean for External Partnerships at the School of Engineering and Applied Sciences at University of Pennsylvania, where he was responsible for helping departments create strategic plans and build relationships with external organizations important to the School. At Arco Chemical, Steve was a Commercial Development Manager with responsibility for a commercialization team that developed a composites program. Earlier in his career he worked for Dow Chemical in a variety of research, development, sales, marketing, and business management positions.**

**B.Sc, Chemistry Princeton University.**

**[sfbrown@mit.edu](mailto:sfbrown@mit.edu)**



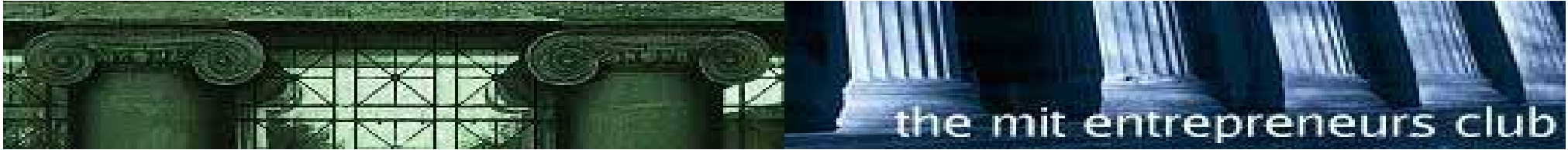
# Getting To Market: Intellectual Property

**PANELIST: John Preston**, MIT Sloan Senior Lecturer,  
CEO Atomic Ordered Materials, Former Director of the MIT  
Technology Licensing Office



**John T. Preston is President and CEO of Atomic Ordered Materials LLC., and Senior Lecturer at the Massachusetts Institute of Technology. His prior activities include several startups and nearly 20 years building relations between M.I.T. and industry. Mr. Preston founded the M.I.T. TLO, the \$50K Competition and the M.I.T. Entrepreneurship Center. His last full-time position at M.I.T. was as Director of Technology Development, where he was responsible for the commercialization of intellectual property developed at M.I.T. He is a special limited partner or senior advisor to three venture capital funds. Prior appointments include director or advisory positions for the Governor of Massachusetts, the US Department of Defense, the National Aeronautics and Space Administration, the National Science and Technology Board of Singapore and several others. Mr. Preston has testified seven times before the US Congress on issues related to technology commercialization and has chaired meetings on this subject for President George H. W. Bush and H.R.H. Prince Charles among others.**

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# Getting To Market: Intellectual Property

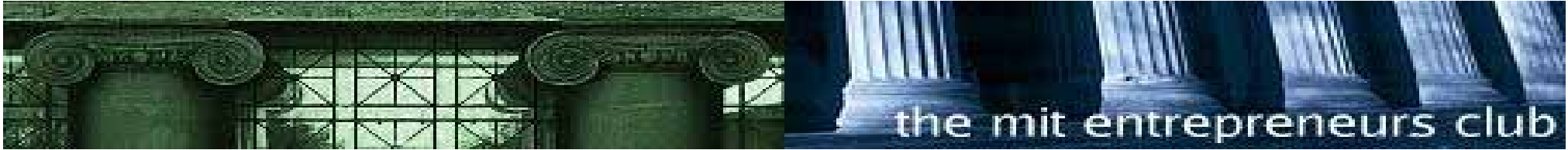
**PANELIST: Bill Schnoor, Corporate/Entrepreneurial Law-  
Partner, Goodwin Procter LLP**



Mr. Schnoor has 21 years of experience in representing start-up, private and public companies in a wide range of industries. He has worked with numerous companies from their initial financing through successful initial public offerings or acquisitions, including Telebit Corporation (acquired by Cisco Systems), eDocs Inc. (acquired by Siebel Systems), Sand Video (acquired by Broadcom), eRoom Technology (acquired by Documentum), SQA, Inc. (initial public offering followed by acquisition by Rational Software), Red Hat, Inc. (initial public offering), Evergreen Solar, Inc. (initial public offering), PAREXEL International Corporation (initial public offering), Webspective Software (acquired by Inktomi), Trellix (acquired by Interland) and EXACT Sciences Corporation (initial public offering).

Prior to joining Goodwin Procter, Mr. Schnoor was a partner in the Business Practice Group at Testa, Hurwitz & Thibault in Boston.

J.D., Yale University, 1983      B.A., Yale College, 1980 (summa cum laude)  
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# Getting To Market: Intellectual Property

**MODERATOR: Joe Hadzima, MIT Sloan Senior Lecturer, Managing Director of Main Street Partners and President of IPVision, Inc.**

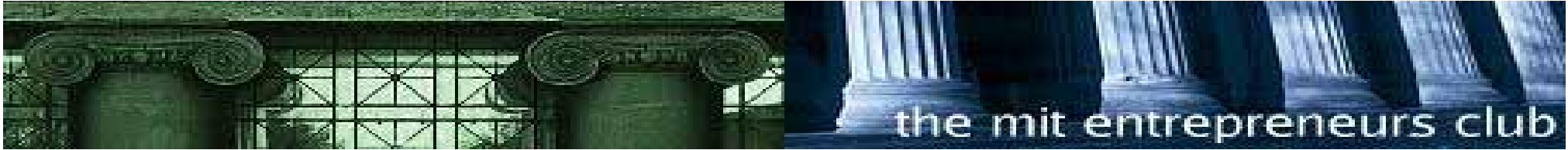


**Joseph G. Hadzima Jr. is a Senior Lecturer at Sloan School of Management, where he has lectured on a variety of subjects since 1984. He has been involved with over 120 new ventures as a venture capitalist, entrepreneur, lawyer and board member.**

**As a practicing lawyer for 17 years he was Partner, Founder and Director of the Sullivan & Worcester High Tech/New Ventures Group. He was a Founding Judge of the MIT \$50K Entrepreneurship Competition. He is Chairman of the Board of Directors of the MIT Enterprise Forum-Global and a Managing Director of Main Street Partners LLC, a venture development and technology commercialization firm located in Kendall Square Cambridge. He is also President of IPVision, Inc., which provides systems, tools and services for the management and commercialization of intellectual property.**

**Joe received a B.Sc. from MIT in 1973, a S.M. in Management from the MIT Sloan School of Management in 1977 and a Juris Doctore law degree cum laude from Harvard Law School in 1979.**

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# Getting To Market: Intellectual Property

## Tonight's Agenda

**-Who Is In The Audience and What Are Your Questions?**

### **Topics To Be Covered:**

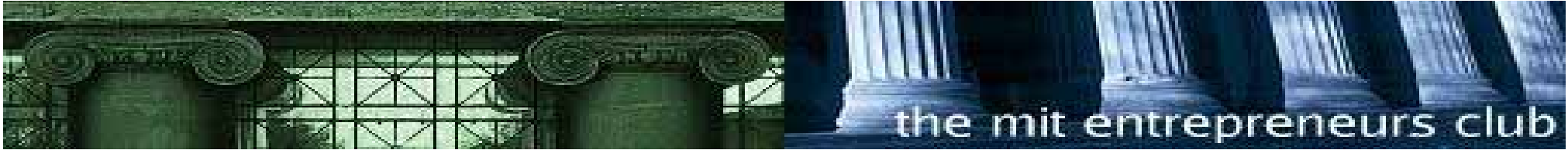
**-Why is Intellectual Property Important?**

**-What is Intellectual Property and How Do You Create and Capture It?**

**-What Are the Key Things Entrepreneurs Should Do and What Are the Common Mistakes?**

**-Dealing with the Technology Licensing Office**





# Getting To Market: Intellectual Property

## Why Is Intellectual Property Important?

**John Preston**

**MIT Sloan Senior Lecturer, CEO Atomic Ordered Materials, Former Director of the MIT Technology Licensing Office**

# Intellectual Property

## A Key Factor in New Business Creation

Massachusetts Institute of Technology

**March 1, 2005**  
**Entrepreneurship Club**

**“Research in natural sciences is always the secure foundation for technical progress, and a country’s industry will never be able to gain and sustain a leading position if the country is not at the same time a leader in scientific progress.” 1890**  
**Baron Werner von Siemens**



## Background

**“Ninety percent of the scientists and engineers that have ever lived in the history of mankind are alive today.”**

**D. B. Merrifield**

- MIT Spinoff Companies
  - 1065 in MA
  - >4000 worldwide
  - \$237 Billion 1997 revenues
  - equals the 27th largest economy of the world
- Semiconductors (e.g. Fairchild)
- Integrated Circuits (Intel)
- Biotechnology (Genentech)
- Internet (Akamai)



## Economic Strength Requires Startups Because Large Companies do not Pioneer Radical Innovations

- 70% of net new jobs in the US come from only 4% of the nation's companies, "gazelles"
- Large companies create new jobs outside their home nation
- Small companies that are not globally competitive create low paying jobs
- Government policy – retain "old" jobs vs create "new" jobs

## Non-Entrepreneurial Firms Respond Poorly to Disruptive Ideas

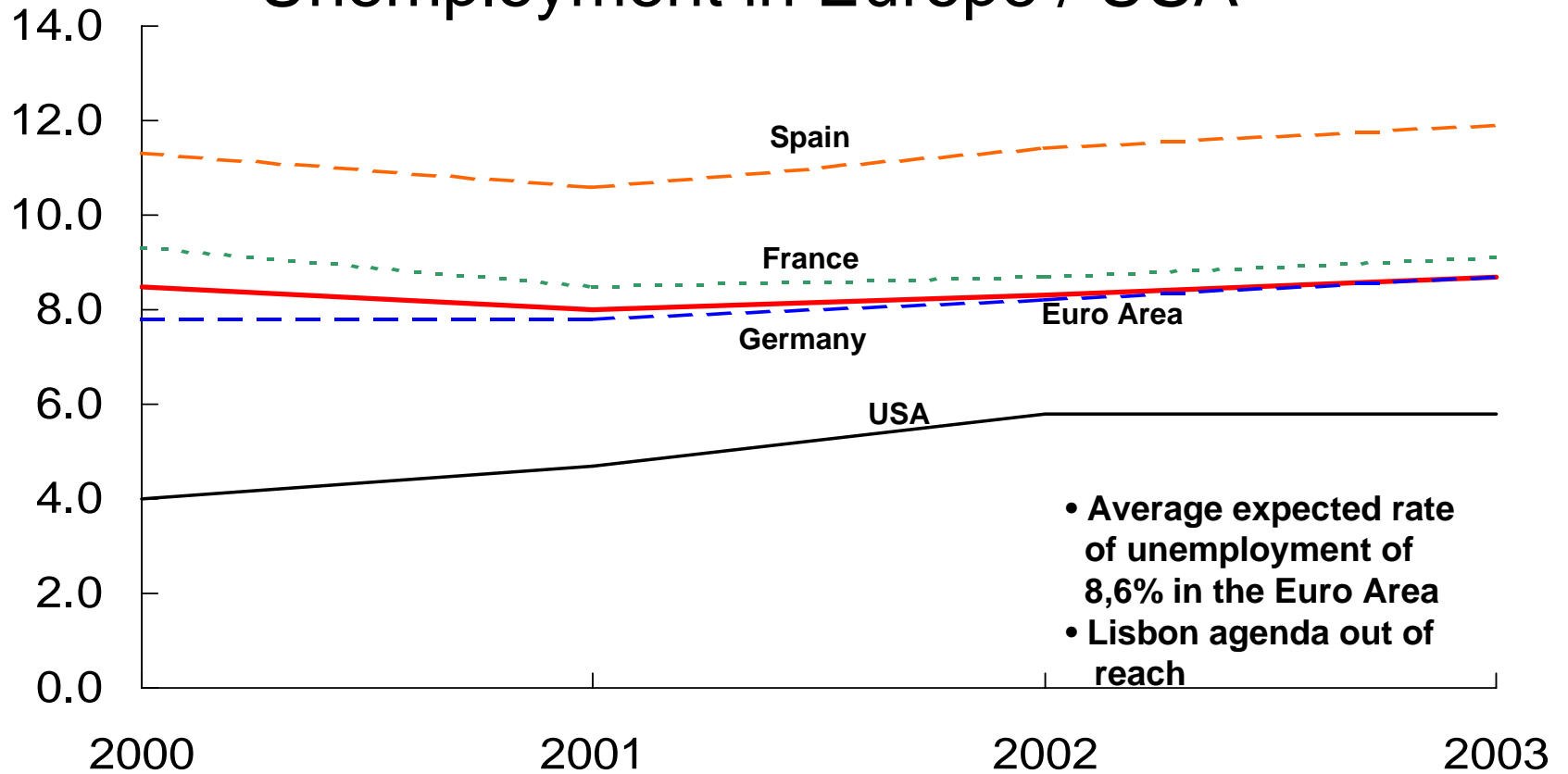
“Radical Innovation never originates with the market leader.” J. Utterback

- Management uses experts in the “Old Technology”
- Experts in the Old Technology are the most threatened by something new
- Management uses committees, which have the wrong psychology
- Western Union
- Napoleon
- Thomas Edison Examples

“Great spirits have always encountered violent opposition from mediocre minds.” A. Einstein



# Unemployment in Europe / USA



Source: OECD Standardized Unemployment Rates. From a presentation by Bert Twaalfhoven to the EEC June 10, 2003



## Startup Companies Need

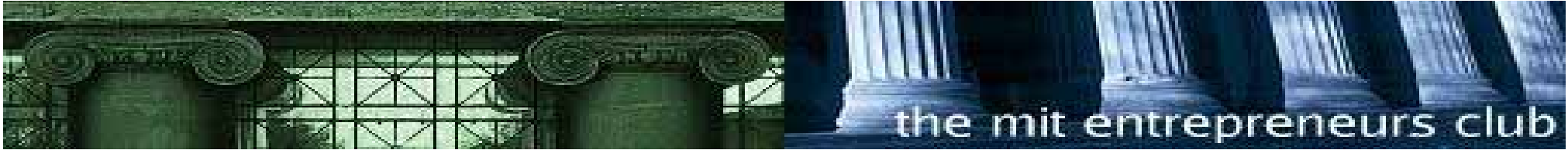
1. Best and brightest willing to take risk
2. Willingness to share success
3. Willingness to work hard with passion
4. Quality investors

## A Strong Intellectual Property Estate:

1. Makes it easier to attract the best and brightest
2. Increases the value of stock options (sharing success)
3. Increases the team's passion
4. Makes it easier to attract quality investors







# Getting To Market: Intellectual Property

## What Is Intellectual Property?

**Rob Blasi**

**Goodwin Proctor LLP**

# Intellectual Property Basics

*“Understand the problem, and you’ll understand the solution.”*

**Robert S. Blasi, Associate**  
**Goodwin | Procter LLP**  
*rblasi@goodwinprocter.com*

# What's the problem?

- The Innovator's Real Dilemma:
  - Think of a new product or service.
  - Secure resources for development.
  - Educate the marketplace.
  - And, if you succeed, your competitors copy and undersell you.



# What's the problem? (cont'd)

- Society's Dilemma
  - Why bother to innovate, when it's easier to copy?
  - True innovators are driven out of business by competitors with lower fixed costs.
  - Society collectively underspends on innovation, due to inherent imprecision in the risk-benefit analysis.



# What's the solution?

- The legal system
  - A set of neutral rules that promote societal objectives.
  - Thousands of years of experience dealing with analogous issues.
- Intellectual property laws
  - A set of “rights” that frustrate copying to achieve a societal objective of increased innovation.



# Trademarks

- Problem
  - You provide goods or services in a distinctive way.
    - Examples: “Joe’s Pizza”, “Cisco” routers, shoes with a “swoosh” symbol, pink fiberglass.
  - Someone provides their own goods or services copying that distinctive way.
    - Examples: Frank’s “Cisco” routers, “Cisco” pizza, “Francisco” routers, cisco.com.



# Trademarks (cont'd)

- Solution
  - “Trademarks” protect your right to provide your goods or services in a distinctive way.
- Details
  - Can be cheap (or expensive, if you need extensive national protection).
  - Be less descriptive and more distinctive.
  - Study your market before you adopt a mark.

# Copyrights

- Problem
  - You sell original creative works.
    - Examples: Books, scripts, movies, software, legal forms, paintings, sculpture, photographs.
  - Someone copies your creative works and sells them.
    - Examples: Verbatim copies, selective copying, derivatives.





# Copyrights (cont'd)

- Solution
  - “Copyrights” protect your exclusive right to copy your original works.
- Details
  - Cheap until you need to sue someone.
  - Keep records of your creative activities, and who gets copies.
  - Be careful when you copy other materials, especially open source.

# Patents

- Problem
  - You develop a new and inventive product or process and want to commercially exploit it.
    - Examples: Windshield wipers, spreadsheet software, mutual fund share pricing, crustless PB&J sandwich.
  - Someone provides that same product or process.
    - Not necessarily copying.

# Patents (cont'd)

- Solution
  - “Patents” protect your exclusive right to make, use, or sell new and inventive products and processes.
- Details
  - Expensive, and many traps for the unwary.
  - The cheapest approach: File provisional application before you tell or sell.
  - May be a bad idea vis-à-vis trade secret protection.
  - Consider reviewing existing patents before development.

# Trade Secrets

- Problem
  - You develop a product or process that is easily copied, but can't easily be reverse engineered, and you keep it secret.
    - Examples: Coca-Cola, investment strategies, packet routing algorithms.
  - Someone steals your secret and uses it to compete with you.



# Trade Secrets (cont'd)

- Solution
  - “Trade secrets” give you an exclusive right to your confidential information and processes.
- Details
  - May be better than patents.
  - Must keep things secret: internal controls, non-disclosure agreements, etc.
  - Make sure information you receive isn't a trade secret.

# Keeping It Affordable

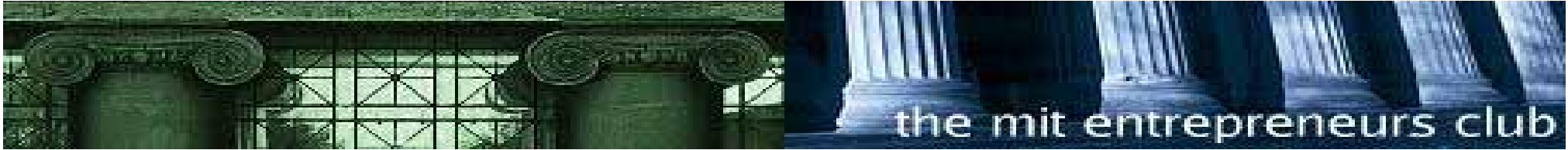
- Understand your business
  - Milestones, resource constraints, end game
- Develop IP strategy with experienced IP attorney
  - Intelligent division of labor
- Do the cost-benefit analysis
  - Return has to outweigh risk.

## Getting To Market: Intellectual Property

# What To Do and What Not To Do

## Summary of Points Made:

1. Don't assume that something is "obvious" for patent purposes
2. You have one year from "public disclosure" to file an application in the US- if you don't then you can't get a US Patent- but note: if you "disclose" before you file then you can't get protection outside the US.
3. Disclosure- enabling disclosure is the problem –i.e. that someone can figure out how to do it. Steve Brown suggests taking a "Black Box" approach – here are the inputs and here are the outputs.
4. Copyright- if you hire a contractor or consultant then the contractor owns the copyright to his/her work if you don't have a written agreement saying otherwise. Bill Schnoor
5. Provisional patents- \$80 each. Consider filing a series of provisionals as your ideas evolve- at the end of the year, roll them all up into a utility patent. Steve Brown



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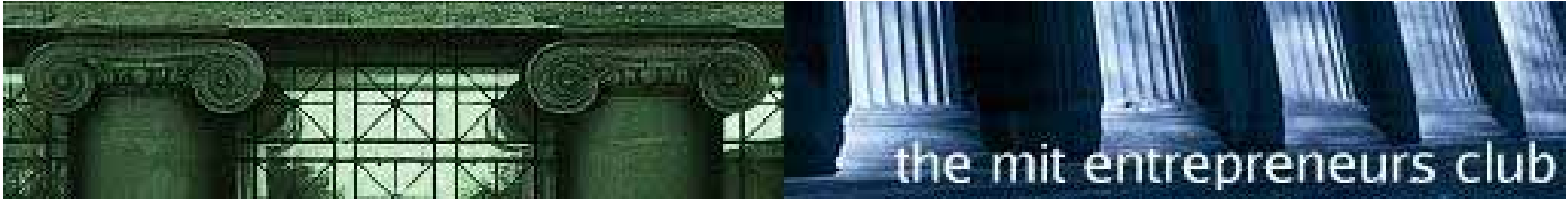
## Dealing With The MIT Technology Licensing Office

**Steve Brown**

**MIT Technology Licensing Office Ambassador**

**(See Separate Slide Deck)**





# Getting To Market: Intellectual Property

## THANK YOU TO THE PANEL

### **Rob Blasi**

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