

Glossary of Intellectual Property Terms¹

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Abandonment - Loss of rights in IP². Abandonment can occur by (1) an intentional act of abandonment by the IP owner, (2) failure to file an applicable fee or (3) in the case of a Patent Application, failure to respond to an Office Action within the allotted time period.

Accused Device - A product which is alleged to infringe a Patent.

Active Inducement - Patent Infringement by virtue of active inducement of (aiding and abetting) Direct Infringement by third parties. e.g. by advertising an infringing use. 35 U.S.C. § 271(b). Requires a Direct Infringement by someone else.

ADR - Alternate dispute resolution, namely mediation (which is non-binding) and arbitration (which is binding).

All Elements Rule - A limitation on the Doctrine of Equivalents, under which *each element* of a Claim must be found in the Accused Device to constitute Direct Infringement. Therefore, the Doctrine of Equivalents *may not* be applied to the Claim as a whole, in disregard of the *Claim elements*.

Analysis of Patents in a Cluster - The analysis of all or certain Patents in a Cluster which has been deemed to have Carrot and/or Stick Licensing potential, to determine, based on computer analysis and research and human input, which patents appear most likely to have substantial revenue-generating potential.

Anticipation - A single Prior Art Patent or publication which is substantially identical to a Claim and thus invalidates the Claim under 35 U.S.C. §102(b).

Anti-Dilution - Statutory provisions and legal doctrines which protect well-known Trademarks in product areas in which they are not in use. See, e.g., 15 U.S.C. §1125(c).

Assignee - Buyer.

¹These definitions are accurate, but were written to be simple and clear, rather than legally perfect, and are based on an understanding of U.S. law. For more legalistic definitions, see McCarthy's Desk Encyclopedia of Intellectual Property, 2d Ed. (1995), published by Bureau of National Affairs.

²Defined terms are referred to in this Glossary with initial capital letters.

Assignment - Sale of an IP right.

Assignment in Gross - Assignment of a Trademark without Assignment of the associated goodwill. An Assignment in Gross is invalid.

Assignor - Seller.

Assignor Estoppel - A legal principle under which the Assignor of an IP right (for example, a Patent) is Estopped from denying later the Validity of the assigned right (e.g. the assigned Patent).

Berne Convention - An international Copyright treaty, to which most countries, including the United States, are members. Among its provisions, a Copyrightable work created in one member country is automatically protected (no registration is required) in all member countries. Partial exception: Although the United States does not require Copyright registration by a non-U.S. resident to file a Copyright suit, residents must first obtain a Copyright registration. See 17 U.S.C. §411(a).

Best Efforts - In American parlance, usually a reasonable level of effort, but courts may vary in their interpretations. (It is better to use "reasonable diligence.")

Best Endeavors - The counterpart in England to Best Efforts, but judicially interpreted in England to mean a very high level of effort.

Blocking Patent - A Patent as to which Infringement cannot be avoided for a particular type of product, system or service. Example, the AT&T Shockley transistor patent. See Essential Patent.

Bundling - Selling two separate products as one unit. For example, Windows® software sold with a Compaq® computer. See also Unbundling.

“But for” License - A Patent License grant and/or Royalty payment provision in which the License grant or Royalty payment obligation is based on products (or processes) “which would, *but for* this Agreement, Infringe one or more Claims of Licensed Patents”.

CAFC - See Court of Appeals for the Federal Circuit.

Carrot Mining - Portfolio Mining which seeks to identify valuable “technology” which, in combination with any related Patents, can be revenue-generating.

Carrot-and-Stick Mining - Portfolio Mining which seeks both Carrots and Sticks.

Claim - A numbered paragraph in a Patent which verbally defines the legal rights protected by the Patent. Note: The legal right embodied in a Claim is an Exclusionary Right.

Claim Chart - A two- or three-column chart, comparing all of the words and phrases of a Claim against the features of an allegedly Infringing product or process. 100% correspondence of words and features constitutes Infringement. If there is not 100% correspondence, there may still be Infringement. See Doctrine of Equivalents.

Claim Differentiation Doctrine - A doctrine of Claim interpretation, under which each Claim is interpreted to be different from each other Claim in the same Patent, i.e., a narrower Claim cannot be used to restrict a broader Claim.

Clayton Act. 15 U.S.C. §§ 12-27 - An antitrust statute prohibiting the acquisition of an asset (e.g. Patent) the tendency of which is to substantially lessen competition.

Click Wrap License - A License of software or a database which is accessed and downloaded on-line. The License is created on-line when the potential Licensee is presented with a screen of license terms and agrees to the terms by a click of the cursor.

Claim Chart - A two- or three-column chart, comparing all of the words and phrases of a Claim against the features of an allegedly Infringing product or process. 100% correspondence of words and features constitutes Infringement. If there is not 100% correspondence, there may still be Infringement.

Cluster - An affinity group of Patents, grouped according to the technology covered by the Patents in the group.

Clustering - The process of organizing a Patent portfolio into different Clusters. Clustering is usually the first step in Portfolio Mining.

Cluster Ranking - The process of ranking different Clusters in a portfolio, in order of the Clusters which are most likely to produce revenue if licensed or sold.

Common Law - The federal and state laws of the U.S. which are not statutory (made by legislatures) but were made by judges and inherited from British law.

Comprising - An “open-ended” term used in a Claim, interpreted to mean “including” (but not limited to) or “containing”.

Compulsory License - A non-exclusive License under a Patent required by law or judicial decree to be granted by a Patent owner to third parties. Compulsory Licenses are not required by law in the U.S., but are required by the laws of some countries, often as to pharmaceutical patents.

Conception - The mental part of making a Patentable invention.

Consisting of - A “closed” term used in a Claim, which closes or limits the Claim to those elements recited in the Claim. Compare with Comprising.

Constructive Notice - An act having the same legal effect as *actual* notice. E.g., actual notice of Patent Infringement is telling the infringer that it is infringing a particular Patent. The same legal result can be achieved (constructive notice is given) when the Patent owner's Patented product or package is marked with (bears) the Patent number, 35 U.S.C. §287. The concept of Constructive Notice also applies to registered Trademarks and Copyrights. Various legal benefits derive from the giving of actual or Constructive Notice.

Constructive Reduction to Practice - Filing a U.S. Patent Application.

Contributory (Patent) Infringement - The act of selling a *non-staple* article which is an element of an article or is used in a process which Infringes a Patent. See 35 U.S.C. § 271(c). A non-staple article is one which has no substantial non-Infringing uses. There are also Copyright and Trademark doctrines of Contributory Infringement. As to Copyright, see Sony Corp. v. Universal City Studios, Inc., 464 417, 441 (1984); as to Trademark, See Inwood Labs. Inc. v. Ives Labs. Inc., 456 844, 854 (1982).

Convoyed Goods - Unlicensed products which are sold together with or as part of a sale of a Patented product. Example, a Patented DNA probe which is sold with or drives the sale of unpatented reagents. The reagents are Convoyed Goods. See Promega Corp. v. Lifecodes Corp., 53 USPQ 2d 1463 (D.Utah 2000).

Copyright - A federal right granted to the creator of an original work of authorship which is fixed in a tangible medium of expression. 17 USCA §§ 100 et seq.

Court of Appeals for the Federal Circuit - The federal appeals court which is empowered to decide all appeals (from U.S. District Courts around the country) involving Patent rights. Also called the Federal Circuit or CAFC.

Covenant Not to Sue - A personal covenant or promise (express or implied) not to sue a third party for a Tort or contract breach. A non-exclusive License is sometimes considered by the courts to be a Covenant Not to Sue by the Licensor and therefore is deemed not transferable. When a Patent owner grants a Covenant Not to Sue, the grantee cannot pass along its immunity from Infringement of the Patent to its customers (unless expressly permitted by the agreement).

Declaratory Judgment Suit - A lawsuit filed in federal court by an alleged Patent Infringer, seeking a declaration of the court that a Patent is Invalid, not Infringed and/or not enforceable.

Defensive Suspension - A provision of (1) a License agreement or (2) a standards-based undertaking to License an Essential Patent, by which the License or undertaking is suspended if the licensee or prospective licensee sues the Patent owner for Patent Infringement or declaration of Invalidity or non-Infringement.

Dependent Claim - A Claim which "depends from" and incorporates by reference all of the terms of another Claim.

Design Around - A way of avoiding Patent Infringement by using a design of a product or process which is competitive to the patented product or process but does not infringe the patent being considered. Also called “Work Around”.

Design Patent - A Patent which protects the aesthetic aspects of a product.

Direct Infringement - Patent Infringement that occurs when an Accused Device or process is (1) Literally Infringed or (2) Infringed under the Doctrine of Equivalents. 35 U.S.C. § 271(a).

Discounted Cash Flow Analysis - An approach used in determining an applicable Royalty, by discounting (to present value) the cash flows that the Licensee would expect to receive from the sale of the Licensed product.

DJ Action - Same as Declaratory Judgment Suit.

Doctrine of Equivalents - A rule of Claim construction for establishing Patent Infringement, under which a word or phrase in a Claim may be interpreted to include an “equivalent” element, which performs *substantially the same function in substantially the same way to achieve substantially the same result*. For example, the word “rivet” in a Claim may cover other elements, such as nuts-and-bolts.

Doctrine of Exhaustion - The first sale of a Patented, Copyrighted or Trademarked item by the owner or Licensee "exhausts" the IP right, so that the owner or Licensee cannot control resales of the item. See also First Sale Doctrine.

Enhancement - A modification of a computer program to add new or improved features or functionality.

Entire Market Value Rule - A Patent Infringement damages rule that, if a product (e.g. radio) includes a Patented component (e.g. amplifier), and the customer demand for the product is based on the component, the Infringement damages may be based on the market value of the product.

EPO - The European Patent Office . The EPO is located in Munich, Germany.

Essential Patent - See Blocking Patent. The term is usually used in Standards Licensing.

Estopped - Barred. See Estoppel.

Estoppel - A legal principle under which a person or company is barred, by its actions, from doing something. In the Patent field, it comes up when an action by a Patent owner in obtaining the Patent, limits or estops the owner from interpreting a Claim broadly. See File Wrapper Estoppel.

Exclusionary Right - The right of a Patent owner **to exclude** an Infringer of one or more Claims from making, having made, offering for sale, selling, using or importing any Infringing product or process. That is to say, merely having a patent on an invention does **not** give the Patent owner the right to make, use, sell, etc. that invention **if** the manufacture, use or sale of the Patented invention Infringes someone else's Patent.

Exclusive License - A License grant by the owner of an IP right of "exclusive" (as opposed to non-exclusive) rights under the IP right. Under U.S. law, an Exclusive License is equivalent to an assignment of the IP rights.

Federal Circuit - See Court of Appeals for the Federal Circuit.

Field of Use - A particular product area or service market.

Field of Use License - An IP License which is restricted to a Field of Use. For example, a Patent or technology applies to batteries and License A is restricted to portable computers and License B is restricted to wireless telephones. (Of course, there could be a problem when portable computers and wireless telephones integrate, and that problem illustrates the need for careful drafting.)

File Wrapper Estoppel - A legal doctrine under which a Claim is barred (Estopped) from being more broadly interpreted because of a limitation inserted in the Claim by an applicant (or his or her patent attorney) in response to a Rejection of a predecessor to that Claim as Unpatentable over Prior, he is estopped (barred) from recapturing the interpretation of the claim *to include the prior art element as an equivalent*. This rule negates application of the Doctrine of Equivalents. Also called "Prosecution History Estoppel".

First Sale Doctrine - Same as Doctrine of Exhaustion. See 17 U.S.C. § 109(a) as to Copyright.

Force Majeure Clause - A contract provision which excuses performance by a party when a specified situation outside the party's control (e.g. an earthquake, fire or strike) when performance is prevented by the situation. For example, a Licensor is obligated to deliver to the Licensee a sample of a Licensed composition, but is prevented by a fire at the plant making the composition.

Forward Citation Analysis - The analysis, with respect to a given Patent, of subsequently issued Patents which cite the given Patent.

Foundry Right - The right, under a Patent license, enabling the Licensee to manufacture (act as a foundry for) Licensed products for a non-licensee which designed the products. This term is usually used in the computer, electronics and telecommunications industries.

GAAP - Generally accepted accounting principles.

GAAPCA - Generally accepted accounting principles, consistently applied.

Georgia Pacific Factors - A comprehensive list of fifteen evidentiary facts relevant to the determination of a “reasonable royalty” in the computation of damages in a Patent Infringement lawsuit. Some of the facts are: the established profitability of the product made under the Patent and its commercial success; the extent to which the Infringer made use of the Invention; and the Royalties received by the Patent owner from other Licensees of the Patent. Georgia-Pacific Corp. v. United States Plywood Corp., 318 F.Supp. 1116 (S.D.NY. 1970).

Goodwill - An intangible asset, often associated with a Trademark or Service Mark.

Grant-back - A license of IP improvement rights (usually Patents) from a Patent Licensee (of other IP rights) to the Licensor.

Have Made Right - The right of a Patent Licensee to have a Licensed product manufactured by a third party for sale by the Licensee.

Heads of Agreement - An outline of the proposed terms of a contract, in the form of an outline of essential terms of the contract, and intended **not to be legally binding**. Used in international transactions. Unless the Heads of Agreement has language negating a binding contract, it might create a binding contract or at least questions about whether or not it is a binding contract (itself troublesome). See Letter of Intent, Term Sheet and Memorandum of Understanding.

Human Capital - The collective people and their knowledge, skills, creativity of an organization. The Human Capital create the Intellectual Assets and convert them to products or services and ultimately to revenue and profits.

Implied License - A License under IP which the courts will imply when there is no express (written) License and fairness (equity) suggests that a License should be implied. For example, if a company sells a Patented machine to a customer, there is an Implied License that the customer has under the company’s Patents to use the machine for its intended purpose.

Infringement - The violation of an IP right.

Infringer - A violator of an IP right.

Integration Clause - The contract clause stating that "this is the entire agreement between the parties." Its use excludes parol (oral) or other extrinsic evidence to vary the terms of the contract.

Intellectual Assets - Codified, tangible or physical descriptions of specific knowledge to which ownership rights can be asserted. Intellectual Assets are Intellectual Property which has not yet been protected.

Intellectual Capital - The collective Human Capital, Intellectual Assets and Intellectual Property

of an organization.

Intellectual Property - Utility patents, design patents, plant patents, copyrights, mask works, trademarks and trade secret rights. Also called "IP."

Interference - An *inter partes* (between two or more parties) lawsuit conducted in the PTO to determine which of two or more patent applications (or one or more Patent applications and an issued Patent) is entitled to a patent on a single invention which is disclosed in all of the applications (and, where applicable, the Patent).

Invalid - Not valid. Usually used in reference to a Claim which, for reasons of Anticipation or Unobviousness, is not legally Valid. If a Claim is indeed Invalid it *cannot* be Infringed.

Inventive Step - The counterpart in many European, Asian and other countries to Unobviousness. The meaning of Unobvious or Inventive Step varies from country-to-country.

IP - See Intellectual Property.

IP Bankruptcy Act - 11 U.S.C. § 365(n).

Joint Ownership - Where two or more persons or companies each own an interest (called an "undivided interest") in an IP right. The legal rights and obligations of a Joint Owner will vary, depending on the type of IP involved (Patent or Copyright) and the country. For example, a Joint Owner of a U.S. Patent may grant a non-exclusive license under the Patent for a Royalty and keep the Royalty for himself; in many other countries this is not the case.

Joint Venture - A broad term, used to cover a broad range of multi-party relationships. Often (but not always), each party owns 50% of a Joint Venture corporation.

JPO - Japanese Patent Office.

Know-How - Valuable unpatented technical information (e.g. an unpatented manufacturing process).

Know-How and Show-How - Know-How plus the transfer of the Know-How by personal communication.

Knowledge Management - The discipline of collecting, organizing, processing and utilizing information, using computer-based tools, to derive optimum value from the information for the information's owner.

Last Antecedent Doctrine - A doctrine of contract interpretation that a succeeding modifier of more than one noun applies only to the last noun, unless the context otherwise clearly indicates. For example, a License grant to "Licensee and Subsidiaries" and "successors and assigns". Does

“successors and assigns” apply only to “Subsidiaries” or to “Licensee and Subsidiaries”? The Last Antecedent Doctrine will determine that.

Letter of Intent - A document (often in letter form) stating (usually in outline form) the fundamental business and financial terms of a proposed contract, but not intended to be legally binding. Unless the Letter of Intent has language negating a binding contract, it might create a binding contract or at least questions about whether or not it is a binding contract (itself troublesome). See Heads of Agreement, Memorandum of Understanding and Term Sheet.

License - A grant of permission to do that which, without the permission, would be a Tort. A right to use IP under defined conditions.

License Agreement - An agreement in which the owner of an IP right grants a License to another party.

Licensee - The grantee of a License.

Licensee Estoppel - A principle under which the Licensee is estopped (barred) to deny the validity of the rights licensed. Licensee Estoppel is negated as to Patent Licenses by Lear v. Adkins, 395 U.S. 653 (1969).

License Monitoring - A program for reviewing License Agreements and Licensee reports, and monitoring Licensee compliance with obligations, such as royalty reporting and payment and Patent Marking, under the License Agreements.

Licensor - The grantor of a License.

Literal Infringement - Patent Infringement (Direct Infringement) that occurs when the elements of an Accused Device or process correspond *100%* to the words or phrases of a patent claim.

Maintenance - (1) Correcting errors in software. (2) A fee required to be paid periodically to maintain a Patent in effect.

Marking - Placing a (1) Patent number(s), (2) Trademark notice (®) or (3) Copyright notice (©), as applicable, on a product or its packaging or label, to provide Constructive Notice that the product is respectively Patented, is designated by a registered Mark or is Copyrighted, as applicable.

Marks - Trademarks, Service Marks, etc.

Markman Determination - A proceeding before a judge, in a Patent Infringement jury trial, in which the judge interprets Claims of the Patent for later determinations of Patent Infringement of the Claims by a jury.

Means Plus Statement of Function Claim - Also "Means Plus Function" Claim. A Claim which includes the description of a Claim element by what it does (e.g. "means for fastening") rather than what it is (e.g. "a nut and bolt"). See 35 U.S.C. § 112 ¶6.

Memorandum of Understanding - A broad statement of the proposed terms of a contract, intended *not to be legally binding*. Used in international transactions. Unless the MOU has language negating a binding contract, it might create a binding contract or at least questions about whether or not it is a binding contract (itself troublesome). See MOU, Heads of Agreement, Letter of Intent and Term Sheet.

Misuse - An equitable defense, (unclean hands) to an infringement charge based on a violation of the letter or spirit of the antitrust laws. Purging the wrongful act ends the defense prospectively.

Most Favored Licensee Clause - See Most Favored Nations Clause.

Most Favored Nations Clause (MFN Clause) - Sometimes called a Most Favored Licensee (MFL) clause. A clause granting a Licensee the right to have the same, more favorable terms (usually financial) as may be granted by the Licensor to subsequent Licensees.

MOU - Memorandum of Understanding.

Mutatis Mutandis - A Latin term used in contracts to designate a clause which is identical to a prior clause "with appropriate (obvious) changes."

Net Sales - Gross sales of (or revenue from) a Licensed product minus certain specified deductions. Used to determine a Royalty Base for computing a Royalty payment.

Non-Exclusive License - A personal, non-transferable right to practice an IP right.

Non-Obviousness - See Unobviousness.

Novelty - One of the statutory requirements for a Patent that the Claimed invention is new and was not previously invented by someone else.
35 U.S.C. § 101.

OEM - Original equipment manufacturer. A company (A) that buys a product from another company (B) to sell under A's Trademark.

Office Action - A formal letter from the Patent Office to an applicant Rejecting Claims of a Patent application on formal or substantive grounds (e.g. "Claim 1 is unpatentable because . . .").

Omitted Elements Test - A Claim is Invalid if it omits an element that someone skilled in the art would understand to be essential to the invention as originally disclosed.

Option - A contractual right (usually for a specific time period) to acquire something (in the IP context, to acquire ownership of or a License to a Patent or other IP right) at a future date, upon exercise of the right by the Option holder. The Option grant, to be meaningful, should specify all of the terms of the Option to be exercised, including the period of the Option, the exercise price, and at least all other relevant business terms. Preferably, there should be a complete Option agreement specifying all terms of the Option grant; otherwise, there can be confusion about what are the terms of the Option.

Paid-up License - A vested License as to which no further Royalty is payable.

Paris Convention - An international Patent treaty providing that a patent application filed in a member country on a given date (the "Filing Date") and then filed in other member countries within one year after the Filing Date, will be deemed in the other countries to have been filed on the Filing Date. Most industrial countries, including the U.S., are members.

Patent - An Exclusionary Right granted by a government, for a limited period of time, an invention which meets the legal requirements of Statutory Subject Matter. Novelty, Utility and Unobviousness. 35 U.S.C. §§ 101, 102 and 103. See Principle of Territoriality.

Patentable - Legally capable of being Patented. See Patent.

Patent Application - An application, filed with the Patent Office of a country, to obtain a Patent granted by that country. See Principle of Territoriality.

Patent Assertion Insurance - "Insurance" for specified Patents which, if Infringed, will pay the legal fees and expenses of Patent infringement litigation. Typically, the "insurance" requires a prepaid premium and has a policy limit on fees and expenses paid. If the Patent owner is successful in the lawsuit, due to a settlement or victory, the Patent owner repays the insurance company the sum advanced plus a "kicker".

Patentee is His Own Lexicographer Doctrine - A rule of Claim interpretation, under which the Patentee may create any word, usage or definition (in the Patent's specification and Claims) he chooses, and the word or words of a Claim will be interpreted according to that usage or definition.

Patent Infringement - Infringement of a Patent by either (1) Direct Infringement, (2) Active Inducement or (3) Contributory Infringement.

Patent Office - The government agency which examines and grants Patents. In the U.S. it is formally called the "Patent and Trademark Office" or "PTO".

Patent Prosecution - The interplay between an applicant for a Patent (or, more often, his or her patent attorney) and the Patent Office, in which a Patent application is alleged (by the Patent Office) to be improper or unpatentable for specified reasons and the responses.

PCT - Patent Cooperation Treaty. An international treaty facilitating the filing and prosecution of Patent applications in various member countries (including the U.S. and most major industrial countries).

Permanent Injunction - A court order, entered in a trial on the merits, permanently barring a defendant in a lawsuit from doing an act, such as importing or distributing an Infringing product.

Pioneer Patent - A patent which represents a major technological advance is called a “pioneer” patent. When the Doctrine of Equivalents is applied to a claim of a Pioneer Patent, the Doctrine of Equivalents is interpreted broadly .

Plain Meaning Doctrine - Words in a Claim are, in the first instance, given their plain meaning.

Portfolio Analysis - The process of analyzing a Patent portfolio, to determine which Patents (or Patents and related technologies) are most likely to be valuable and therefore revenue-generating.

Portfolio Maintenance Analysis - The analysis of the Patents in a Patent portfolio and the Maintenance fees associated with each “family” of Patents (each U.S. Patent and its overseas counterparts), to determine which Patents, because of their limited value, ought to be discontinued by failure to pay Maintenance fees.

Portfolio Mining - The process of (1) Portfolio Analysis and then (2) developing and realizing revenue or other value from Patents in the portfolio or technologies represented by the Patents, by Carrot Mining or Stick Mining.

Portfolio Paring - Eliminating non-productive Patents in a portfolio by sale or by non-payment of Maintenance fees.

Portfolio Valuation by Sampling - A statistical technique for evaluating a Patent portfolio for either Carrot or Stick Mining values, or both, by sampling selected Patents in the portfolio, valuing those Patents and extrapolating to determine the value of the entire portfolio.

Preamble Doctrine - A rule of Claim interpretation, under which, generally, the preamble portion of a Claim will not limit the scope of the Claim, but may shed light on the meaning of the Claim.

Preliminary Injunction - A court order, entered after an evidentiary hearing and before a complete trial on the merits, barring a defendant in a lawsuit from doing an act, such as importing or distributing an Infringing product, until the trial on the merits.

Presumption of Validity - The statutory presumption to which every issued U.S. Patent is entitled, that the Patent is Valid. 35 U.S.C. § 282.

Principle of Territoriality - The principle of international law that an IP right granted by a country (e.g., U.S.) is effective only within the territory of that country. For example, a United

States Patent is effective only in the United States and its territories and possessions.

Prior Art - That body of prior patents, patent applications, publications and products which precede an invention or patent application and may be relied on to invalidate or limit a Claim.

Privilege - A legal right that protects certain communications (said to be “privileged”) from access to the adversary in a lawsuit. There are several types of Privilege, including attorney-client, priest-penitent and physician-patient.

Provisional Patent Application (PPA) - An *informal* Patent disclosure (it may be no more than a detailed description of the invention) filed in the PTO, under 35 U.S.C. § 111(b), for a nominal fee of \$75 or \$150 (depending on whether the applicant is a Small Business Entity, in which case the lower fee applies). The PPA may be filed without a formal patent claim, oath or declaration, or any information or prior art disclosure. The PPA provides the means to establish an early effective filing date in a patent application and allows the term “Patent Pending” to be used. The PPA is preserved by the PTO for at least one year after it is filed. If, within that year, a Patent Application is filed, which refers to the PPA, the Patent Application will be entitled to the benefit of the earlier filing date of the PPA, *but only to the extent that the two applications disclose the same subject matter*. A PPA is a very useful way to preserve an inventor’s rights for one year without the expense of filing a Patent Application. In any event, a formal Patent Application *must be filed* to obtain legal rights in an invention.

Reads On - A term used when each of the words of a Claim of a patent finds complete (one-for-one) correspondence (1) with the description in a *single* piece of Prior Art (in which case the Claim Reads On the Prior Art and is therefore Anticipated and Invalid) or (2) in each of the elements of a product or process (in which case the Claim Reads On the product or process and is Infringed).

Reduction to Practice - Making a model or implementation of a Patentable invention to demonstrate that it will work.

Regular and Established Royalty - An approach used in determining an appropriate Royalty, by determining regular and established Royalties (comparable Royalties) used in the industry (or closely related industries) for similar types of products, processes, etc.

Rejection - A reason given by the PTO, in an Office Action, for refusing to allow the Claim of a pending Patent application.

Return on Investment Analysis - An approach used in determining an appropriate Royalty, by assessing the amount the Patent or technology owner invested to develop the technology and the rate of return that the owner would expect to receive on its investment.

Repair v. Reconstruction Doctrine - A Patent Infringement doctrine that repair of a licensed, Patented article is permitted, but that reconstruction of the article is an Infringement of the

Licensed Patent.

Reverse Doctrine of Equivalents - A rule of Claim interpretation under which, even if Literal Infringement otherwise *appears* to be present, there is *no Patent Infringement* because the Accused Device or process is *so changed* that it performs the function of the Claimed invention *in a substantially different way*.

Right of First Negotiation - The contractual right, granted by an owner of something (in the IP context, a Patent or other IP right) to negotiate exclusively with the grantee of the right for a specified period of time after the owner decides to sell that right. This is different from (and much less valuable than) a Right of First Refusal, because the grantee has no certainty other than a time advantage.

Right of First Refusal - The contractual right, granted by an owner of something (in the IP context, a Patent or other IP right) to present to the grantee any third party offer to sell the right that the owner is about to accept. This means that the owner must first get a complete offer to buy the right from a third party and, before selling to the third party, must offer to sell to the grantee on terms identical to the offer. This can have a chilling effect on the ability of the owner to get third party offers, because the third party may be reluctant to spend the time and effort to decide whether to buy and then negotiate the deal and be preempted by the grantee. One way to make it more appealing to the third party is to offer a “break-up fee” to compensate the third party for its time and effort if the right is sold to the grantee.

Right of Publicity - An inherent right, recognized in many (but not all) states, of every person to control the commercial use of his or her identity. Protected by statutes in some states and by Common Law in others.

Royalty - A fee paid for use of Licensed IP, usually a specified sum or a percentage for each Licensed unit sold. See Royalty Rate. Some approaches used to determine (or aid in determining) Royalties are: Discounted Cash Flow Analysis; Regular and Established Royalty; Return on Investment Analysis; and Twenty Five Percent of Profits.

Royalty Base - The unit sales to which a percentage Royalty is applied (e.g., sales of widgets).

Royalty Rate - A percentage which is multiplied by a Royalty Base to determine a Royalty.

Royalty Stacking - Multiple royalties payable to multiple Patent owners on a product which Infringes multiple Patents.

Royalty Withholding Tax - See Withholding Tax.

Secondary Considerations - A list of objective considerations which may be considered by the judge or jury (as applicable) to assist in the subjective determination of whether or not an invention is non-obvious, within the meaning of 35 U.S.C. § 103. The Secondary Considerations

include commercial success, satisfaction of a long-felt need and others. See Graham v. John Deere Co., 383 U.S. 1 (1966).

Securitization - A form of lending in which an owner of Licensed IP grants a Security Interest in the IP to a lender in exchange for a loan which represents a portion of the projected value of License revenue from the IP.

Security Interest - A "mortgage" or "lien" on personal property (such as a Patent, Trademark, Copyright or License Agreement) as security for an indebtedness or obligation of the owner of the property. Technically, "mortgages" apply to real estate and "security interests" apply to personal property.

Service Mark - A word or symbol that designates the source or origin of a service.

Set-off - The common law right of A to deduct sums of money that B owes to A from money that A owes to B.

Shop Right - A royalty-free, non-exclusive Patent License that courts will imply to exist, for the benefit of an inventor's employer, when an employee makes a Patentable Invention using the employer's time, materials and/or equipment, and the employer does not own the Patentable Invention (either under an appropriate contract or as a matter of law).

Shrink Wrap License - A non-exclusive software License which is not signed and is included in the software package.

Source Code - A computer program written in human-readable language (e.g., Basic).

Standards Licensing - A requirement of national or international standards committees (such as IEEE, ANSI, ITU, etc.), that the owner of an Essential Patent to the standard, which participated in the committee deliberations, grant Licenses under its Essential Patents to all companies on "reasonable terms and conditions, demonstrably free of discrimination".

Statutory Bar - Prior Art Invalidating a Claim under 35 U.S.C. § 102 and having an effective date more than one year prior to the filing date of a Patent application.

Statutory Subject Matter - The categories of inventions that are Patentable under 35 U.S.C. § 101, namely "process, machine, (article of) manufacture, or composition of matter, or any new and useful improvement thereof".

Stick Mining - Portfolio Mining which seeks out Patents which are infringed and therefore have value to be Licensed to Infringers or sold.

Structural Capital - The support or infrastructure of an organization which allows Intellectual Capital to be utilized productively. Structural Capital includes property, plant and equipment.

Substantial Unlicensed Competition Clause - A clause in a License Agreement which provides for the deferral or forfeiture of royalties for so long as unlicensed competition continues unabated. This clause requires a definition of what is “substantial” (not always easy to do) and what are the conditions after which the royalty is deferred or forfeited, e.g. notice of the competition, and an opportunity for the Licensor either to License or sue the unlicensed competitor.

Support - Answering questions and providing assistance about use of a computer program.

Term Sheet - A document setting forth the basic terms (usually primarily financial terms and fundamental definitions) of a proposed agreement. It is usually not intended to be legally binding. Unless the Term Sheet has language negating a binding contract, it might create a binding contract or at least questions about whether or not it is a binding contract (itself troublesome). See Heads of Agreement, Memorandum of Understanding and Letter of Intent.

Tort - A civil wrong which *does not* arise from an express or implied *contract*. For example, Patent Infringement is a “tort”.

Territorial License - A License of IP which is restricted to a particular geographic area. For example, a License relating to a new pharmaceutical, as to which License A is restricted to North and South America, License B is restricted to Europe and Africa, and License C is restricted to Asia, Australia and New Zealand. See Field of Use License. A License may be both a Field of Use License and a Territorial License.

Trade Secret - Any business information of value (technical, financial, marketing) that is treated as secret and is learned as a result of a protected relationship (employee, consultant, etc.).

Trademark - A word or symbol that designates the source or origin of a product.

TRO - Temporary restraining order. A court order for a brief time (e.g. ten days) and without an evidentiary hearing, barring a defendant in a lawsuit from doing an act, such as making, reproducing, importing or distributing an Infringing product.

Twenty-Five Percent Rule - An approach used in determining an appropriate Royalty rate, by estimating a Royalty Rate that would be twenty-five percent of the Licensee’s profits for the Licensed product.

Tying - Conditioning the purchase of one product or service on the purchase of another product or service.

Unbundling - Selling separately a product (often software) which is usually sold together with another product. For example, the Palm® operating system is usually Bundled with a Palm® PDA. However, it may be Unbundled and licensed to manufacturers of other PDAs, for use with their products.

Unlicensed Competition Clause - See Substantial Unlicensed Competition Clause.

Unobviousness - A statutory requirement of U.S. Patent law (35 U.S.C. § 103) that an Invention, to be Patentable, must be unobvious to a person having ordinary skill in the art (technology) to which the invention pertains. (Also called "Non-Obviousness.")

Unpatentable - Not meeting the statutory requirements for a Patent. i.e. Novelty, Utility, Unobviousness and Statutory Subject Matter, 35 U.S.C. §§ 101, 102 and 103. Not Patentable.

Update - A modification of a computer program to make it current (e.g., modifying a tax return preparation program to accommodate tax law changes).

Utility - One of the statutory requirements for a Patent, 35 U.S.C. § 101, that the Claimed Invention is useful.

Utility Patent - A Patent which protects a method or the functional (rather than aesthetic) aspects (what it is or what it does) of a product. Compare with Design Patent, which protects the aesthetic aspects.

Valid or Validity - Whether a Patent Claim meets the legal requirements of 35 U.S.C.A. §§ 101, 102 and 103 as to Statutory Subject Matter, Novelty, Utility and Non-obviousness.

Willful Infringement - Patent Infringement which continues after actual or Constructive Notice of the Patent and without a legal opinion of non-infringement.

Withholding Tax - A tax imposed by some countries (e.g. Japan and Korea) on Royalties payable under a License Agreement. The tax statutes often require that the Royalty payer (Licensee) must withhold the tax and pay it to the taxing authority.

Working - A requirement of the Patent statutes of some countries (not the major industrial countries) that, if a Patented Invention is not commercially used (worked) in that country within a specified time period, the Patent owner must License the Patent in that country, on a Royalty-bearing basis, to any interested party.