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Technology and Intellectual Property

Maryland's emergence as one of the nation's leading centers of information technology and biotechnology businesses has led many law firms and individual attorneys to focus on technology-related legal issues.

A key issue is protection of intellectual property (IP). "In a sense, IP is the crown jewel of a technology-based company. Assuring that a company has clear title to its IP should be of paramount importance, but it's not always given adequate attention," said Arthur G. House, a principal in Paley, Rothman, Goldstein, Rosenberg, Eig & Cooper. He focuses on enterprise development and licensing for technology-based companies, assisting both established and start-up businesses to develop legal, business alliance and acquisition strategies.

Intellectual property problems develop because there are several different sources of IP, House said. He added, for example, that "A company might license technology from a third party, but does the third party really own the IP that it is licensing?"

Also—particularly in Montgomery County, where the National Institutes of Health and other major federal research agencies are located—it is often government researchers who develop the technology that private-sector companies use. "So there may be government rights to it," House said

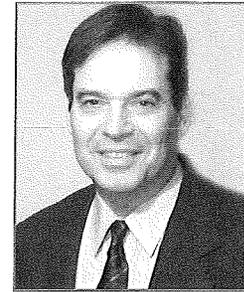
Another possibility is that a company gains intellectual property by hiring someone who once worked for a competitor. "If so, the employee may be restricted by contract or the laws surrounding trade secrets from transferring the IP or even disclosing it to the new employer," said House.

He suggests that companies also ask if a research grant was involved in the development of a technology, and "if so, what were the conditions of the grant?" He added, "There are a lot of universities in this area and there is a lot of trading of information back and forth between universities and private businesses, and a university can have a claim on the rights to a technology."

The bottom line for the owner of a technology-related business, House said, is that "You don't want to wake up in the morning and have a cup of coffee and find that your fundamental IP, on which your company is built, is somehow entangled by third-party rights."

Every link in the chain in the development process of IP should be examined and verified, House said. "Any new technology that is introduced into a company from the outside has to be vetted."

Even technology developed in-house should be examined "to see if it is based on some kind of proprietary information that was acquired on the outside," House added. Entrepreneurs "often lose sight of that."



Arthur G. House
Principal in Paley Rothman

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Moving quickly to obtain patents is one way to protect intellectual property, added Stevan Lieberman of Greenberg & Lieberman, a firm specializing in patents, trademarks, copyrights and Internet law.

"Before you get your stuff out on the market, get your patents. Make sure you have at least filed them and protect yourself," Lieberman said.

Lieberman and House agree that emerging technology companies often overlook key legal issues because the scientists who head the enterprises are more focused on technology than business. "They feel that legal formalities are a nuisance, an impediment to research. They don't pay attention to what could happen down the road," said House.

"They are doing some absolutely astounding research, but from a business point of view, they really need somebody to look after them," Lieberman said. "Larger companies prey on them, trying to get them to sign contracts... These little companies sign whatever they are told to sign. Then they realize later that they signed away their life. It just isn't fair."

Through arbitration and litigation, Lieberman's firm seeks to cancel inequitable contracts for some technology companies. "If I would give them any advice at all," Lieberman said, "it is to talk to an attorney before you sign a contract, and listen to them."

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