

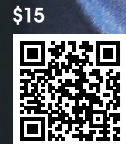
CIO Outlook

CAPITALMARKETSCIOOUTLOOK.COM

Jeff Garzik,
Co-founder & CEO

BLOOQ

**BUILDING NEXT-GENERATION
BLOCKCHAIN SOLUTIONS**



CXO INSIGHTS

Reinventing the Block: Strategic Intellectual Property Considerations for Blockchain Innovators

By Richard M. Bemben, Patent attorney, Jon E. Wright, Director & Monica Riva Talley, Director, Sterne, Kessler, Goldstein & Fox P.L.L.C.

In 2017, Bitcoin becomes a household name as it skyrocketed in price to almost \$20,000 per coin. The volatile price has since fallen by 65 percent but, along the way, the headlines made “blockchain” virtually synonymous with Bitcoin—a misnomer. The blockchain is actually the crypto-technology that makes Bitcoin and other cryptocurrencies work. It acts as an immutable, distributed ledger, where blocks (“ledger entries”) are only added to the chain (“the ledger”) upon consensus amongst distributed parties (“miners”) who verify a solved cryptologic problem related to the ledger entry.

Cryptocurrency, although widely publicized, is just one of many use cases for blockchain technology, which can be applied to a wide range of industries to solve a myriad of problems. This article provides strategic IP considerations for blockchain innovators.

IP Options

There are many ways for blockchain innovators to protect their IP, including patents, trademarks, copyrights, and trade secrets. We focus on two types here: patents and trademarks.

Patents

Blockchain innovation typically involves software that brings blockchain’s immutable, shared record of events into existing processes to reduce friction where parties may not fully trust each other. Examples include supply chain management, digital rights and identity management, and payment processing. From a patent perspective, evolving U.S. patent law can make it challenging to even know what may be eligible for patent protection. For example, an innovation that simply brings a distributed ledger into a known business process is unlikely to be patentable; but blockchain innovations that improve upon existing technology to make it faster or more efficient, and brand new technologies, may be patentable.

Trademarks (Brands)

On the branding front, blockchain innovators can protect their software and service offerings through the use and registration of trademarks, trade dress, and certification marks. Trademarks, such as product names and logos, help innovators claim ownership of their innovations and communicate to

users the source of the technology or product. Trade dress, which could encompass the look and feel of the user interface, can similarly inform users as to the source of the platform or service. Finally, certification marks can be of particular value in the blockchain space, as the owner of the certification mark oversees who can use it to identify the nature of their authentication.

Statistics

There is already a strong “open source” ethic in blockchain software development, where developers make the fundamental code available, free from IP restrictions. But the graph below demonstrates that blockchain innovators nonetheless are seeking and obtaining patent protection. The search below was based on the terms blockchain, distributed ledger, cryptocurrency, or variations, and illustrates the number of blockchain-related patents issuing in the U.S. has grown steadily since 2014 (2018 is a projection).

Notwithstanding the evolving law, the USPTO has recently issued blockchain-specific patents for use cases including payment processing, digital rights management, identity protection, and fraud detection, and hardware-focused patents for acceleration of transaction times, and for blockchain-enabled smart devices or Internet of things (IOT) devices.

Regarding trademarks, a review of the USPTO trademark database revealed 1749 live applications and registrations for goods and services described as relating to “blockchain” and 1852 relating to “cryptocurrency.” In other words, not only are innovators protecting their technology with patents, they are also taking a very active interest in developing and marketing branded blockchain products and services.

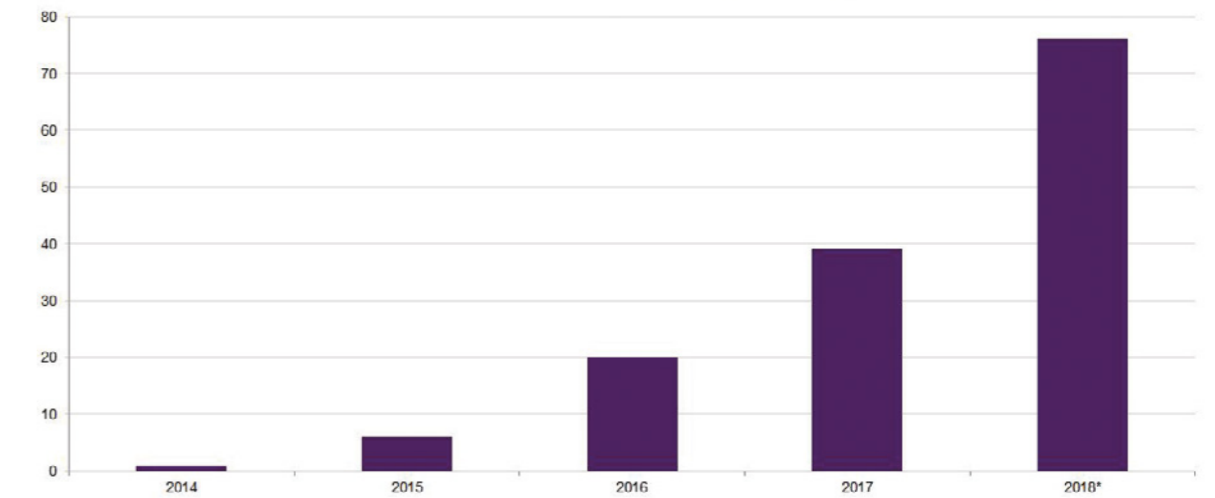
Blockchain-Specific Challenges in Enforcing IP

It’s a small world, blockchain technology is inherently distributed, and many use cases are global in scope. This raises at least two issues: First, IP enforcement is local, so a global procurement strategy is a must. Fortunately, there are well-worn paths and treaties that make obtaining global IP



Richard M. Bemben

Issued U.S. Patents [search terms: blockchain, distributed ledger, cryptocurrency]



protection fairly inexpensive and efficient once the process has begun in the U.S. Second, most use cases envision more than single-actor participation. This raises the issue of

“divided infringement,” where one entity can be held responsible for another’s performance of part of a patented method.

Understanding the contours of divided infringement is a must for both enforcement and defense of blockchain-related IP.



Monica Riva Talley

Defensive Strategies

Finally, success will invariably draw attention.

So consider the following strategies before you accidentally

brush up against a competitor, or patent assertion entity, with their own patents:

1. Non-aggression Agreements and Patent Pools.

Many entities entering the blockchain-fueled marketplace want to avoid the type of IP wars that consumed enormous resources in the smartphone industry. So they have tried to form voluntary non-aggression agreements and patent pools designed to ensure that blockchain technology is available for all to use, royalty-free.

2. Acquire Defensive IP

Sometimes the best offense is a good defense. When you have your own patents, and you are approached by a competitor, the threat of countersuit can often bring parties to the table in an effort to reach a business agreement, such as cross-licensing. So even if you do not intend to enforce IP that you procure, it can still be useful in defending against IP suits.



Jon E. Wright

3. Negate the IP

If all else fails, one can always attempt to negate the asserted IP right. There are well-known vehicles for challenging issued IP, including patent and trademark cancellation proceedings before the USPTO. Particularly in the patent space, negating the IP is almost always more efficient and less expensive than full-blown civil litigation.

4. Insurance

Yes—insurance against IP enforcement is available. A quick online search will easily get you started. As with any insurance policy, the devil is in the details. **CM**