InfoPAK℠

Intellectual Property Primer: Patents, Trademarks, Copyrights, and Trade Secrets - An Introduction to Intellectual Property for In-House Counsel

Fourth Edition

Sponsored by:

DICKSTEIN SHAPIRO LLP
This InfoPAKSM is designed to provide corporate counsel with a general overview of intellectual property and to suggest useful practices for the handling of intellectual property issues in the corporate setting.

The information in this InfoPAK should not be construed as legal advice or legal opinion on specific facts, and should not be considered representative of the views of Dickstein Shapiro LLP, or ACC or any of its lawyers, unless so stated. This InfoPAK is not intended as a definitive statement on the subject, but rather to serve as a resource providing practical information for the reader.

This material was prepared, compiled, and updated by the Intellectual Property attorneys of Dickstein Shapiro LLP (www.dicksteinshapiro.com), edited by James W. Brady, Jr., at the direction of the Association of Corporate Counsel.
Contents

I. Kinds of Intellectual Property Protection ................................................................. 11
   A. Introduction ........................................................................................................ 11
   B. Patents ............................................................................................................... 11
   C. Trademarks/Trade Names/Trade Dress ............................................................ 15
   D. Copyrights ......................................................................................................... 16
   E. Trade Secrets .................................................................................................... 16
   F. Auditing a Company’s Existing IP Rights ......................................................... 17

II. Patents.................................................................................................................... 22
   A. Introduction ........................................................................................................ 22
      1. Employment Agreements ............................................................................. 23
      2. Third-Party Agreements ............................................................................. 24
      4. Invention Reporting .................................................................................... 25
      5. R&D and Product Development Records ................................................ 25
      6. New Product Review .................................................................................. 26
      7. Determining Whether to Apply for a Patent .............................................. 27
      8. Determining the Scope of Patentability ..................................................... 28
      9. Recent Substantive Changes to Patent Law Under the AIA ....................... 29
     11. Costs ........................................................................................................... 32
     12. Timing ......................................................................................................... 33
     13. Other Considerations in Filing Patent Applications ................................... 33
   C. Patent Committees ............................................................................................ 34
   D. Instituting a New Patent Program – A Phased Approach ............................... 34
   E. Patent Training for Employees ...................................................................... 35
   F. Avoiding Infringement of Third-Party Patent Rights .................................. 35

For more ACC InfoPAKs, please visit http://www.acc.com/infopaks
III. Trademarks

A. What Is a Trademark? What Is a Service Mark? .............................................. 44
B. Selection and Approval of Trademarks ................................................................. 44
   1. Coined Marks ........................................................................................................... 44
   2. Arbitrary Marks ....................................................................................................... 44
   3. Suggestive Marks ..................................................................................................... 45
   4. Descriptive Marks .................................................................................................... 45
   5. Generic Terms .......................................................................................................... 45
   6. Narrowing the Field of Potential Trademarks ....................................................... 45
   7. Searching to Avoid Infringement ......................................................................... 46
   8. Searching Basics ...................................................................................................... 46
   9. Availability Opinions ............................................................................................... 47
  10. Dealing with Problems ............................................................................................ 47

G. Asserting Patent Rights in Court ........................................................................... 37
   1. Declaratory Judgments ......................................................................................... 38
   2. Remedies ............................................................................................................... 38
   3. Enforcement at the International Trade Commission ........................................... 38
   4. Costs ...................................................................................................................... 38

H. Attacking Patent Rights at the USPTO .................................................................. 39
   1. Third-Party Submissions ..................................................................................... 39
   2. Reexamination ....................................................................................................... 39
   3. Inter Partes Review ............................................................................................... 39
   4. Post-Grant Review ................................................................................................ 40
   5. Supplemental Examination .................................................................................. 41
   6. Transitional Program for Covered Business Method Patents ......................... 41
C. Registration of Trademarks in the United States .............................................................. 48

D. International Trademarks .............................................................................................. 49
   1. International Searching .............................................................................................. 49
   2. International Registration Strategies ......................................................................... 49
   3. Non-Use in Foreign Countries .................................................................................... 50

E. Role of the In-house Legal Department in Selecting Marks ......................................... 50

F. Proper Trademark Use ................................................................................................. 51
   1. Rule 1 – Always Use the Trademark With Its Generic Term ...................................... 51
   2. Rule 2 – Never Use a Trademark in the Plural Form ................................................ 52
   3. Rule 3 – Never Use a Trademark in the Possessive Form .......................................... 52
   4. Rule 4 – Never Use a Trademark as a Verb ............................................................... 52
   5. Rule 5 – Always Distinguish the Trademark from the Rest of the Text .................. 52

G. Protecting Against Infringers ...................................................................................... 52

IV. Copyrights .................................................................................................................. 53

A. Introduction ................................................................................................................... 53

B. Exclusive rights ............................................................................................................ 54
   1. Copies ...................................................................................................................... 54
   2. Derivative Works ..................................................................................................... 54
   3. Distribution, Performance, and Display .................................................................. 54
   4. Limitations .............................................................................................................. 55

C. Protectable Subject Matter ......................................................................................... 55
   1. Works Protected ...................................................................................................... 55
   2. Originality ............................................................................................................... 56
   3. Fixation ................................................................................................................... 56
   4. De Minimis Works ................................................................................................. 56
   5. A Copyright Is Intangible ....................................................................................... 56

D. What Is Not Protectable ............................................................................................... 57
   1. Works That Are Not Fixed ...................................................................................... 57
   2. Ideas vs. Expression ............................................................................................... 57
   3. Other Exceptions .................................................................................................. 57

E. Authorship .................................................................................................................. 57
V. Trade Secrets ....................................................................................................................................... 65
   A. Introduction .................................................................................................................................. 65
   B. Definition of Trade Secrets ......................................................................................................... 65
      1. Subject Matter ....................................................................................................................... 66
      2. Economic Value .................................................................................................................... 66
      3. Not Generally Known or Readily Ascertainable ................................................................. 67
      4. Subject to Reasonable Secrecy Measures ............................................................................ 67
   C. Why Use Trade Secret Protection? ........................................................................................... 67
   D. Misappropriation of Trade Secrets ........................................................................................... 68
      1. Definition of Misappropriation ............................................................................................. 68
      2. Remedies for Misappropriation ........................................................................................... 69
   E. Protecting Your Trade Secrets .................................................................................................. 69
      1. Reasonable Secrecy Measures .............................................................................................. 69
2. Coping with Advancements in Technology ................................................................. 69

F. Practical Necessities for Implementing an Internal Trade Secret Protection Program ........ 70
   1. Non-Disclosure/Confidentiality Agreements ......................................................... 70
   2. Identification and Marking of Trade Secrets ....................................................... 70
   3. Technology Policy ............................................................................................... 70
   4. Physical Security Measures ................................................................................ 71
   5. Prior Review of Company Publications ............................................................ 71
   6. Exit Interview Checklist ..................................................................................... 71
   7. Post-Departure Investigation ................................................................................ 71

G. Protecting Trade Secrets in Third Party Relationships ............................................. 72

VI. Intellectual Property Enforcement By The International Trade Commission ............ 72
   A. What Is the International Trade Commission? ..................................................... 72
   B. What Remedies are Available at the ITC? .......................................................... 73
       1. Exclusion Orders ............................................................................................... 73
       2. Cease and Desist Orders ................................................................................ 74
       3. Preliminary Relief ............................................................................................ 74
       4. Presidential Review Period ............................................................................. 74
   C. What Is a Domestic Industry? .............................................................................. 74
   D. How Does a Party File a Complaint? ................................................................... 75
   E. What Are Discovery and a Hearing Like at the ITC? ........................................... 76
   F. How Is Customs Involved in Section 337? ........................................................... 77

VII. Creating a Corporate IP Protection Plan That Makes Sense from Both Legal and Business Perspectives ........................................................................................................ 78
   A. Identifying Internal Company Resources for Creating an IP Protection Plan .......... 78
       1. Where IP Work Is Performed ........................................................................... 79
       2. Organization and Allocation of Responsibilities Within an IP Department ....... 82
   B. Key Personnel for Achieving "Critical Mass" Within an IP Department ................. 83
       1. Assignment of IP Functions ............................................................................ 83
       2. IP Committees ................................................................................................. 85
   C. Internal Marketing of Corporate IP Legal Services .............................................. 87
       1. Awards to Employee Inventors ......................................................................... 87

For more ACC InfoPAKs, please visit http://www.acc.com/infopaks
2. Keep Senior Executives Informed .......................................................... 88
3. Keep Technical Personnel Informed ..................................................... 89

VIII. Benefits of an IP Protection Program .................................................. 91

IX. Cost Analysis of an IP Protection Program .............................................. 93

A. Internal Costs .................................................................................... 93
B. External Costs .................................................................................. 94
C. Impact of the AIA ............................................................................. 95
D. IP Enforcement Costs ...................................................................... 95
E. Tracking and Controlling IP Costs ..................................................... 96

X. Timeline for Creating a Corporate IP Protection Program ..................... 96

A. Formulating a Realistic Schedule for Organizing and Implementing a Corporate IP Protection Program 96
   1. Identifying the IP Services Required ............................................. 96
B. Monthly Checklists of Actions to Be Taken ........................................... 98
   1. Identifying the “Milestones” and Setting Priorities ......................... 98
   2. Allocating Time Frames ............................................................... 98

XI. Corporate Utilization of Internal vs. External Legal Resources ................ 98

A. Pros and Cons of Doing IP Work In-House Versus Working with Outside Law Firms 98
   1. Reasons for Retaining Outside Counsel ....................................... 98
   2. Reasons for Not Utilizing Outside Counsel ................................. 99
   3. Criteria for Deciding When to Outsource IP Legal Services vs. Utilizing Internal IP Resources 99
B. Criteria for Selecting Outside IP Counsel ........................................... 101
   1. Domestic Law Firms .................................................................. 101
   2. Foreign Law Firms ...................................................................... 104
   3. Settlement Counsel ..................................................................... 104

XII. Achieving Quality Assurance in Working with Outside Law Firms ........ 104

A. Multi-sourcing .................................................................................. 104
B. Controlling the Costs of Utilizing Outside IP Counsel ......................... 105
   1. Cost Estimates and Budgets ......................................................... 105
   2. Hourly Rate Billing .................................................................... 105
   3. Transactional Fee Billing .............................................................. 106
   4. Fixed-Fee Billing ....................................................................... 106
XIII. International Intellectual Property Rights Considerations ........................................ 107
   A. Introduction ................................................................................................................. 107
   B. Foreign Patent Rights ............................................................................................... 108
      4. When to File Foreign Patent Applications .................................................................. 111
      5. Preserving Patent Rights .......................................................................................... 111
   C. Foreign Trademark Rights ......................................................................................... 112
      1. National Trademark Registrations ............................................................................ 112
      2. International Registrations ....................................................................................... 113
      3. European Community Trademark Registrations ...................................................... 113
   D. Strategic Considerations ............................................................................................ 113
   E. Cost Considerations .................................................................................................... 114

XIV. Insurance Coverage For IP-Related Risks .................................................................. 115
   A. Introduction ................................................................................................................. 115
   B. CGL Insurance Coverage ........................................................................................... 115
      1. Relevant Provisions in ISO CGL Policy Forms ........................................................... 116
      2. Advertising Injury Liability Insurance ...................................................................... 118
   C. Non-CGL Insurance Coverage .................................................................................... 120
      1. Media Liability or Errors and Omissions Policies ....................................................... 120
      2. Technology Errors and Omissions Policies ............................................................... 120
   D. The Importance of Internal IP-Related Controls .......................................................... 123

XV. About Dickstein Shapiro and the Authors ................................................................... 125
   About the Firm ................................................................................................................ 125
   About the Authors .......................................................................................................... 125

XVI. Additional Resources ................................................................................................. 130

For more ACC InfoPAKs, please visit http://www.acc.com/infopaks
A. ACC Sources

XVII. Sample Invention Disclosure Form

XVIII. Current PCT, EP, and Madrid Convention Countries

A. PCT Countries (as of May 1, 2012)

XIX. Endnotes
I. Kinds of Intellectual Property Protection

A. Introduction

“Intellectual property” is an omnibus term for a group of intangible personal property rights. While primarily referring to patents, copyrights, trademarks, and trade secrets, the term “intellectual property” includes other rights, such as trade dress, mask works, unfair competition, and publicity rights. The kinds of intellectual property that are important to a particular company will depend on the nature of the company’s products and services, and on the nature of the marketplace in which the company competes. Often, a product or service may be protected simultaneously by more than one kind of intellectual property. For example, computer software products may be protected by:

- Patents, for the way the software functions. The steps carried out by the software may be protected by a patent.
- Trademarks, for the names used with the software. POWERPOINT® and QUICKEN® are well-known software brands.
- Copyrights, for lines of computer program code and screen displays.
- Trade secrets, for the confidential portions of the program code.

For some companies, most of their value resides in their intellectual property assets. The net worth of a software company, for instance, may consist primarily of copyrights on its products. By contrast, the machines for making production copies of the software products, the product media, such as CD ROMs, and the packaging materials, may be worth relatively little. Similarly, a technology company may not make any products at all but rather profit by transferring, by sale or license, its intellectual property to others.

A summary chart is provided at the end of this section that compares attributes and the pros and cons of some kinds of intellectual property.

This InfoPAKSM is designed to provide corporate counsel a general overview of intellectual property and to suggest useful practices for the handling of intellectual property issues in the corporate setting. In this Section, we provide an overview and explain how corporate counsel can ascertain what kinds of intellectual property assets his or her company possesses.

B. Patents

Broadly defined, “inventions” are any discovered product, composition, or method, whether or not patentable. When inventions go beyond an abstract idea and meet certain requirements, the invention becomes eligible for protection under the patent law. Under U.S. patent law, a patent gives its owner the right to exclude others from making, using, selling, offering for sale, or importing the invention during the patent term. Then, after the patent expires, the invention may be used freely by anyone. It is important to recognize that a patent does not give its owner the right to practice the invention. That right depends on the absence of others also having an...
applicable patent. Thus, making, using, selling, offering for sale, and importing a patented invention can be blocked by other patents.

There are a number of different types of patents:

- **“Utility Patents”** are the most common type. They are available for any “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” When referring simply to “patents,” one is usually referring to utility patents. Utility patents generally have a term commencing at grant (issuance) and ending 20 years after the application filing date. Under certain circumstances, the expiration can be extended beyond the 20th anniversary.

- **“Design Patents”** cover the look of the ornamental features of a product. Unlike utility patents, design patents do not protect functional features. For example, a design patent may be used to protect the stylistic shape of a product, such as a stapler, but the stapler’s slot which accepts paper to be stapled is functional and a design patent cannot provide protection for this feature. “If the patented design is primarily functional rather than ornamental, [a design] patent is invalid” In contrast, the functional feature could potentially be the subject of a utility patent. The term of a design patent is 14 years measured from the date of grant.

- Plants may be protected: (1) by utility patents, (2) by plant patents, and (3) through the Plant Variety Protection Act. “Plant Patents” protect distinct and new varieties of plants. While originally limited to asexually reproduced plants, today, sexually reproduced plants may also be patented. A plant patent gives its owner the right to exclude others from grant until the 20th anniversary of the application’s filing. A Certificate of Plant Variety Protection is issued by the Department of Agriculture for original plants reproduced sexually. The Certificate affords the right for 18 years to exclude others from selling, offering for sale, reproducing, importing, or exporting the variety, or using the variety to produce a hybrid or different variety.

There are other names in use for patents that are not technically different types, but are associated with certain attributes:

- **“Reexamination” and “reissue” patents**, for example, are patents that already have been granted and then have been reconsidered by the U.S. Patent and Trademark Office (“USPTO”) under certain circumstances, as discussed further below.

- **“Process patents”** are utility patents in which the claimed invention is a process or method as opposed to a composition, apparatus, or product.

- **“Business method patents”** are utility patents that claim the processes involved in conducting business, that is, methods of conducting commercial activities as distinguished from scientific activities.

- **“Paper patents”** are patents where the inventions have not yet been put in use and exist only on paper. A patent can be obtained and maintained even if the invention is not actually “reduced to practice” (i.e., actually made).

- **“Improvement patents”** are patents on modifications or additions to an earlier invention.

- **“Pioneer patents”** are patents issued on a very significant technological advance.
“Submarine patents” are patents that issue from applications that have been pending for long periods of time, sometimes twenty years or more, without any public knowledge of their existence. The elimination of submarine patents was one rationale for adopting publication of patent applications and changing the U.S. patent term from “17 years from grant” to “20 years from filing.”

On September 16, 2011, President Obama signed into law a sweeping patent reform bill resulting in dramatic changes to United States patent law (title 35, U.S.C.). More changes are to come as various sections of the Leahy-Smith America Invents Act (the AIA) go into effect.9 Perhaps most notably, the Act will replace our first-to-invent patent system with a first-to-file a patent application system, and it will introduce new post-grant proceedings for challenging patents before a newly-created administrative Patent Trial and Appeal Board (PTAB) of the USPTO.

The “first to file” system goes into effect on March 16, 2013. As a result, two sets of patent laws will be in effect for decades, since the changes resulting in the “first to file” system and related issues do not apply to applications and patents that are entitled to the filing dates of applications filed before the “first-to-file” effective date (March 16, 2013). In addition, many other changes take effect on September 16, 2012. It will therefore be important for corporate counsel to understand the AIA’s significant changes when securing or enforcing patent rights. Section II, infra, reviews the substantive and procedural changes to the patent laws.

To secure a patent, the inventor submits an application for examination in the USPTO. The application must sufficiently describe the invention so that an ordinarily skilled person in the relevant art can make and use it. The scope of the invention for which exclusive rights are sought is defined in one or more numbered paragraphs, called “claims,” at the end of the application text. A USPTO examiner will review the application to determine whether the invention as presented is patentable.

To be patentable on and after March 16, 2013, the invention must be:

- **New.** This is also called the novelty requirement. The invention must not be already in the “prior art” (i.e., in public use, on sale, or otherwise available to the public) before the first filing of an application for the patent. The novelty requirement is strictly construed – there is novelty if any aspect of the claim is new, or even if all of the parts of the invention are old but have not been combined as recited in the patent claim.

- **Useful.** This requirement generally means that the invention has a practical application.

- **Nonobvious.** Even if the invention is not shown by a single prior art reference and is therefore novel, it is not patentable if it would have been obvious to a person having ordinary skill in the relevant art, at the time of the effective filing date of the claimed invention, to make the modifications that result in what is being claimed, such as by combining the teachings of two or more prior art references to arrive at the combination of parts of the patent claim.10

An invention has two parts – the mental act of conception in sufficient detail such that a person having ordinary skill in the art may practice the invention without undue experimentation, and a physical act of actually practicing the invention (“reducing the invention to practice”) or constructively doing so by filing a patent application. Two or more persons may jointly conceive

For more ACC InfoPAKs, please visit http://www.acc.com/infopaks
of an invention, in which case all of the inventors must apply for the patent (i.e., assuming their assignee does not apply for the patent). But the joint inventors do not have to make their respective contribution together, or in the same place, or at the same time.

The USPTO examiner will issue a report (commonly referred to as an “office action”) to the patent applicant, setting forth the results of the examination. Typically, the USPTO examiner will find reasons to reject all of the patent claims. This is a notable low point in the application process for the applicant. However, the applicant may respond with arguments refuting the examiner’s findings and changing the scope of the claims if necessary. Ultimately, upon agreement between the USPTO and the applicant on the definition of the patentable invention, a patent is granted.

The examination process briefly described above is carried out on “regular” patent applications. Prior to filing a regular utility application, it may be desirable to file a “provisional” patent application to secure what is an earlier “effective” filing date for the subject matter included in the later regular application. The requirements for a provisional application are less rigorous than those for a regular application. In order to be proper, a provisional patent application requires only a description of the invention sufficient to enable a skilled person to practice it, an identification of at least one of the inventors, and the prescribed fee. The description does not have to include the abstract or claims found in regular applications, but they may be included if desired. The inventor’s oath required by the patent statute is also not required. However, provisional patent applications are not examined, automatically expire after one year, and cannot be renewed. So, in order to secure an issued utility patent having the priority (filing date) of the provisional, a regular application must either replace the provisional or request that the provisional application be “converted” to a regular application within that one-year period. Advantageously, the time before replacement or conversion of the provisional application does not count towards the 20-year term of the utility patent.

As mentioned above, once a patent is granted, the USPTO can still consider changes. Up until September 16, 2012, this was primarily done through Reissue, Reexamination, and Certificates of Correction. Additional post-grant procedures are introduced by the AIA, as summarized below and discussed in more detail in Section II.

- Certificates of Correction are usually used to fix obvious minor errors. These can be USPTO errors in printing the patent, or applicant errors, such as obvious transcription typos. More serious errors can be corrected by reissue.

- Reexamination is an inter partes or ex parte procedure for the USPTO to consider substantial new issues of patentability based on printed publications and prior art patents. Any person, including the patent owner, can request reexamination. The Director of the USPTO can also request a reexamination (effective Sept. 16, 2012). The existence of an error in the original patent is not required. The procedure makes a record of the USPTO’s judgment about the new issues – changes in the patent may or may not be made.

- Reissue is a procedure for correcting an error in the issued patent. For example, the patentee may seek a reissue on the basis that the claims are too broad or too narrow. However, the application for reissue must be filed within two years of the patent grant date in order to obtain broader claims. There is no time limit if narrower claims are sought.
Supplemental Examination is a new procedure under AIA in which a patent owner can request supplemental examination of its patent to correct relevant information (effective Sept. 16, 2012). This allows the patent owner to correct any information that may result in inequitable conduct. The procedure may also lead to reexamination if the USPTO determines there is a substantial new question of patentability.

Post-grant review is a new third-party procedure under AIA for challenging a patent’s validity on any ground (effective only for patents having a priority date after March 15, 2013). A third-party may request the procedure only within 9 months after the date of grant (or reissuance) of a patent.

Inter partes review is also a new third-party procedure under AIA for challenging a patent but only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications (effective Sept. 16, 2012). A third-party may request the procedure 9 months after the date of grant (or reissuance) of a patent or upon termination of any post-grant review. Inter partes review will take the place of inter partes reexamination procedures, which will no longer be available as of September 16, 2012.

C. Trademarks/Trade Names/Trade Dress

A trademark is any word, name, symbol, or device, or any combination of these, which identifies goods in a way to distinguish them from the goods of others. They can be protected under federal law, state law, and common law. Trade names and trade dress exist on their own but may also function as a form of trademark. Under the common law, use of a mark provides protection commensurate in scope to the extent of the mark’s use. Federal registration of the mark on the Principal or Supplemental Register affords additional rights. Registration on the Principal Register entitles the owner to use the mark and to exclude use of the trademark by others throughout the United States if such use would likely lead to confusion by the public. Registration on the Supplemental Register is for marks that are capable of being distinctive but have not yet become so and afford no exclusive rights, but preclude others from obtaining a registration. The symbol ® is used to give notice that a trademark is federally registered. The symbols ™ and SM are used to give notice that a trademark or service mark is considered by its owner to function as a mark to indicate the source of the goods or services. State trademark registrations may also be obtained, but they typically provide no more protection than is already available to the trademark owner under common law.

There are various types of “marks”:

- A “trademark” is “any word, name, symbol, or device, or any combination thereof” used by a company to identify its products and distinguish them from the products of others. It is usually a word, short phrase, or slogan. However, a product’s shape or its packaging, or even a sound, can be a trademark.

- A “service mark” is a “word, name, symbol, or device, or any combination thereof used . . . to identify and distinguish the services of one person . . . from the services of others.” The difference between a trademark and a service mark is that a trademark relates to goods and a service mark relates to services.
■ “Collective marks” are trademarks and service marks “used by the members of a cooperative, an association, or other collective group or organization . . . and includes marks [known as collective membership marks] indicating membership in a union, an association, or other organization.” A collective mark is used by a member of a group to either distinguish its goods or services from those of a non-member, or to indicate membership in the group.

■ A “certification mark” is a mark used “to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person’s goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.” For instance, the mark “UL” is a certification mark of Underwriters Laboratories, Inc. A company would apply it to merely indicate that its products have met certain UL standards.

■ A “trade name” is a name used by a company to identify its business rather than its products. A trade name symbolizes the reputation of a business as a whole. A trade name is protected by adopting it and using it as a corporate name or a “doing business as” or “dba.”

■ “Trade dress” is the total image or overall appearance of a product and can be protected under § 43(a) of the Lanham Act or under common law. If the trade dress of a product is distinctive and nonfunctional, the Lanham Act prohibits others from unfairly competing by adopting a trade dress so similar as to confuse a consumer as to the product’s origin.

D. Copyrights

Original works of authorship fixed in a tangible medium of expression from which they may be perceived, copied, or communicated are protected under the copyright law. Works of authorship include books, music, artistry, sculpture, movies, drama, architecture, and computer software. To be protectable, the work must have originality, which requires that the work be independently created by an author and possess some minimal degree of creativity. Where a work is created by an employee within the scope of the employment, the employer is considered the author. Generally, the copyright in a work of authorship lasts for the life of the author plus 70 years, or if the author is anonymous or a company, for the longer of 95 years from publication or 120 years from creation. Only the manner of expression of an idea is protected by copyright, rather than the idea itself. Copyright protection arises automatically when an original work is fixed in a tangible medium of expression. Also, because the United States is a member of the Berne Convention, the copyright’s territory is effectively worldwide. No registration is necessary; however, registration affords additional rights, including the right to bring an infringement suit in federal court, and entitlement to statutory damages and attorneys’ fees in certain circumstances. Registrations are generally classified according to the nature of the work, including serial works, literary works, works of the performing arts, sound recordings, and works of the visual arts.

E. Trade Secrets

Trade secret law provides protection for any information that is not generally known or used by others and is of value to the owner, so long as the owner maintains it as a secret. It arises under state common law, state statutes such as the Uniform Trade Secrets Act, and the Economic
Espionage Act of 1996 (18 U.S.C. §§ 1831-1839). There is usually significant value in the know how, knowledge, and experience of a company’s employees relating to the company’s business matters, such as technical designs, chemical formulas, customer lists, and manufacturing processes. Use of this information can yield improved product performance, manufacturing efficiencies, or provide an edge in the market place to greatly enhance the company’s competitiveness. Whether or not this information is protectable for a limited term under the patent laws, by keeping the information confidential, the company can potentially protect it indefinitely under trade secret law. But trade secrets are protected only from misappropriation from the owner by others. Thus, if another entity obtains the information by independent development, or from another source, the owner’s trade secret rights will not preclude that entity from using or disclosing the information.

F. Auditing a Company’s Existing IP Rights

When considering a company’s intellectual property, a necessary first task is to identify what intellectual property exists. An IP audit should provide a good indication of which types of intellectual property are important to the company.

An intellectual property audit should seek to answer the following questions:

- What is the character and scope of the company’s intellectual property assets?
- What is the economic and strategic value of the company’s intellectual property?
- Does the company have clear title to the intellectual property?
- Does the company have potential liability for infringing the intellectual property rights of others?

It is helpful to consider at the outset the general nature of the company. Different types of companies require a different focus during intellectual property audits. For example, a start-up biotechnology or computer software company may require a more in-depth investigation than a cement manufacturer. A newspaper publisher may require more investigation into copyright issues than a newsprint manufacturer. Companies that market consumer products may require a closer look into trademarks and design patents than other companies. Chemical and pharmaceutical companies may have important patents as well as trade secrets and know-how.

The audit should develop lists of the intellectual property assets:

- A list of all U.S. and foreign patents, patent applications, registered trademarks and service marks, trademark and service mark registration applications, registered and unregistered copyrights, and trade secrets currently held by the company, together with a brief description of the products, processes, or information covered thereby or subject thereto, and (where applicable) the corresponding grant and/or application filing dates.
- A list of all trade names, trademarks, and service marks used by the company but not registered, anywhere in the world, together with a brief description of the goods and services.
A list of all intellectual property licenses and other technical collaboration or consulting agreements, and confidentiality agreements.

The sources for this information typically include the company patent counsel, company marketing and engineering personnel, and independent outside sources. Also, a good source is the company’s marketing materials, catalogs, web sites, and other related material. However, the best place to start is with the company personnel who have been dealing with the intellectual property. They can likely lead to in-house records as well as to any outside lawyers involved with the intellectual property. Important information may also be obtained through interviews with marketing, manufacturing, engineering, and R&D personnel about important aspects of the technology, important trademarks, important computer software, and trade secrets. Interviews are likely to be one of the best sources of trade secret material, such as identifying the crucial proprietary secret processes and techniques, whether these are written down, or in the heads of some employees, and what steps are actually taken to safeguard key trade secrets?

Much of the information may reside on databases kept by current in-house and outside lawyers. There are other public databases that can be searched and many are accessible online. The searches can be conducted in the names of the company, key personnel, and licensors. These include:

- The U.S. Patent and Trademark Office, [www.uspto.gov](http://www.uspto.gov). The USPTO has searchable online records for patent inventors and owners. It also has patent images and full text patent searching capability. There are also searchable online records for trademark registrations and applications.
- The U.S. Copyright Office, [http://www.copyright.gov](http://www.copyright.gov). U.S. copyright registration records can be searched at this site.
- Thomson & Thomson, for trademark matters.
- ESpaceNet, [http://www.espacenet.com](http://www.espacenet.com). This is a useful site for finding worldwide patents.
- National IP Offices and the World Intellectual Property Organization (“WIPO”). These offices have records that can be searched, many of them online.
- Westlaw and/or Lexis searching can provide information regarding trademark applications and registrations, and patents granted in the U.S. and some foreign countries.
- State and Local Uniform Commercial Code (“UCC”) records provide information regarding liens that may be recorded against the properties.

A tour of the company’s plant or other facilities and a hands-on review of the company’s products and processes may also be helpful. Personal inspection may reveal aspects of the products and processes that were not previously understood. With respect to trade secret protection, a plant visit might also reveal whether appropriate physical security precautions and safeguards are in place.

Other important tasks in the course of the audit typically include:

- Obtain patent maintenance and annuity fee records.
For patents of special interest, identify all prior art in the company’s files. Later, the company may need to determine whether there are any validity issues that would justify further investigation.

- Review all products, marketing, promotional, and packaging materials of the company to determine if the materials and products are properly marked with the company’s patents.

- Review all products, marketing, promotional, and packaging materials of the company to determine if the company’s trademarks are used properly.

- Obtain copies of all U.S. and foreign trademark registrations and registration applications.

- Review trademark renewal records.

- Obtain results of any trademark searches conducted by or for the company.

- Identify any marks of the company that may have been abandoned.

- Identify all unregistered copyrights.

- Review know-how licenses and other technical assistance agreements, and confidentiality agreements.

- Check employee, consultant, and officer agreements to confirm obligations to assign U.S. and foreign rights.

- Determine whether appropriate confidentiality and non-compete agreements are in place, especially with respect to key personnel.

- Consider the impact of recent arrivals or departures of key personnel.

- Assess the company’s existing procedures for identifying patentable inventions and designs, and for ensuring applications are timely filed. Determine whether the procedures are appropriate and effective in view of the company’s structure and business goals.

- Evaluate the adequacy of hiring and exit interviews procedures. Review records for key personnel.

- Evaluate secrecy policies, including physical security, employed by the company.

- Evaluate security policies for computer software and electronic data.

- Evaluate the company’s policy for identifying and protecting its copyrights.

- Evaluate the company’s policy for avoiding infringement of patents, trademarks, or copyrights and obtain copyright clearance to protect against infringement claims.

- Determine whether the company has recorded ownership assignments (where applicable) for all U.S. and foreign patents and patent applications.

- Obtain copies of all licenses concerning patents, trademarks, copyrights, trade secrets, know-how, or other intellectual property or proprietary products, information, or processes, including expired licenses, held by the company, whether as licensor or licensee, together with a brief description of the products, processes, or information covered.

For more ACC InfoPAKs, please visit http://www.acc.com/infopaks
Review all records of audits conducted by or against the company pursuant to license agreements and/or research and development agreements.

Identify procedures employed by the company for quality control monitoring of licensee use of trademarks.

Obtain copies of all research and development contracts, agreements, and proposals between the company and any other company or companies.

Determine whether the company has assigned or granted security interests against any patents or patent applications.

Review all work-for-hire agreements and consultant contracts.

Identify all assertions of infringement against the company, and all license offers received by the company, within the last six years, concerning patents, trademarks, copyrights, trade secrets, know-how, or other intellectual property, and the status of any negotiations or correspondence concerning such assertions or license offers.

Obtain correspondence from the company accusing others of infringing its intellectual property and/or offering licenses under the company’s intellectual property. Consider whether any matters justify further negotiations and/or litigation.

Identify any actual litigation involving the company’s intellectual property. Identify the current status of any ongoing proceedings or negotiations. Obtain copies of settlement agreements and releases.

Identify any actual or potential post grant patent reexamination, review, or opposition proceeding filed by the company or against the company’s patents in the USPTO or foreign patent offices. Identify current status and obtain copies of these filings.

Obtain records of any U.S. opposition or trademark cancellation proceedings, and foreign equivalent proceedings.

Identify and review all covenants not to sue and indemnification agreements.

Review press reports.

Determine whether key technologies and other intellectual property rights have been transferred to one or more government agencies (e.g., via U.S. government purpose rights provisions).

Assess the adequacy of insurance coverage against intellectual property infringement claims.
## Comparison of Intellectual Property Types

<table>
<thead>
<tr>
<th></th>
<th>Patents</th>
<th>Trademarks</th>
<th>Copyrights</th>
<th>Trade Secrets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Protects</strong></td>
<td>Inventions</td>
<td>Designations of origin</td>
<td>Expressions of ideas</td>
<td>Information used in business</td>
</tr>
<tr>
<td><strong>Registration</strong></td>
<td>Required</td>
<td>Optional</td>
<td>Optional</td>
<td>No</td>
</tr>
<tr>
<td><strong>Requirements</strong></td>
<td>New, useful, and unobvious</td>
<td>First to use, distinctiveness</td>
<td>Originality</td>
<td>Confidential, used in business</td>
</tr>
<tr>
<td><strong>Exclusive rights start</strong></td>
<td>Upon issuance of the patent</td>
<td>Common law: upon use. Registrations: upon issuance.</td>
<td>Upon fixing in a tangible medium of expression</td>
<td>Upon creation</td>
</tr>
<tr>
<td><strong>Term of exclusivity</strong></td>
<td>20 years from filing, not renewable</td>
<td>Common law: as long as used. Registrations: 10 years, renewable.</td>
<td>Varies, but 70 years at a minimum</td>
<td>Indefinite if maintained secret</td>
</tr>
<tr>
<td><strong>Cons</strong></td>
<td>Must disclose. Give up secrets. Expensive to procure, maintain, and enforce.</td>
<td>Need to police infringements or may lose rights.</td>
<td>Easy to design around. Does not cover independent developments by others.</td>
<td>Hard to keep a secret. Does not cover independent developments by others.</td>
</tr>
</tbody>
</table>
II. Patents

A. Introduction

In Section I, we outlined the basic requirements for obtaining patents and the process for doing so. In this Section, we look at patents from the context of how general counsel should view this form of intellectual property as part of his or her responsibility and examine effective policies and procedures for an in-house patent program.

U.S. patents have gained strength and importance since the establishment of the U.S. Court of Appeals for the Federal Circuit in 1982. Because that court has exclusive jurisdiction over all appeals of patent cases from the U.S. district courts, the law is now more uniform and predictable, and forum shopping less effective.21

Having more consistent rules permits patent attorneys to draft stronger patents. As a result, more patents are being upheld by the courts. However, the U.S. Supreme Court’s recently renewed interest in patent law may change that trend.22 Damages in patent infringement cases frequently reach hundreds of millions of dollars and, in at least one case, over a billion dollars. Litigation costs, win or lose, are extensive. In view of both the cost of litigation and potential damages, every company should consider taking steps both to strengthen its own patent portfolio and to decrease its risk of infringing another’s patent when conducting the company’s business. In establishing a new patent program or revising an established one, these steps should include determining what patent rights the company already has or may develop or acquire, reviewing the company’s products for infringement of others’ patent rights, and establishing policies and procedures focused on capturing inventions and filing appropriate applications for patents to leverage in the company’s business.

It is important to keep in mind when evaluating any program that a patent gives its owner only a right to exclude. Thus, the patent does not confer upon the owner any right to practice the patented invention, because practicing the invention could potentially infringe another’s patent. Rather the patent only gives the owner the right to prevent others from practicing the patented invention.

The patent’s exclusionary right can enable a company to legally block its competitors from adopting the company’s patented innovations. Thus, a strong patent portfolio is essential for a company to maintain its competitive advantage in the marketplace. Moreover, the company can generate revenue by licensing others to practice its patented inventions, and a strong patent portfolio may be useful for cross-licensing for settling infringement disputes with its competitors.

B. Policies and Procedures for Protection of Company Patent Rights

In order to effectively implement a patent program, the company should adopt and follow appropriate policies and procedures for managing inventions. Generally, these policies and procedures will address the handling of inventions and patents from conception of the invention until the patent expiration. This should include establishment of an entity (usually a committee)
responsible for overseeing employee invention agreements, handling disclosure of inventions outside the company, documentation of new developments, filing for and maintaining patents, and clearance of new product launches to avoid issues of patent infringement.

I. Employment Agreements

An important element of any patent program is the use of adequate employment agreements. In the United States, absent an agreement otherwise, the owner of an invention is typically the inventor, not the employer. Thus, with some important exceptions, a company employee who makes an invention, rather than the company, will own the invention and all of the patent rights associated with it, even if the employee uses company resources or facilities, or makes the invention while on the job. The exceptions include:

- **Employed to invent.** One exception is an employee who was employed to invent and is therefore obligated to transfer ownership to the company. This could include research scientists and engineers whose specific job responsibilities are to develop new product ideas. On the other hand, if the employee is hired in a general technical position, he or she may generally retain the invention.

- **Fiduciary duty.** Another exception is an employee who has a fiduciary duty to the company. This typically includes the officers of the company and may include other employees that are highly important to the company. An employee with a fiduciary duty may be required to transfer ownership of an invention to the company.

- **Shop rights.** Under the “shop rights doctrine,” a company whose employee makes an invention using the company’s time or resources may have a non-exclusive, non-transferable, royalty-free license to use the invention under any patent that issues. But the shop right is not an ownership right and does not entitle the company to participate in procurement, enforcement, or licensing of the patent. However, the shop right survives the employee’s termination and may be transferred to a third-party along with the entire business.

- **Obligation to assign.** Recent changes in the law allow a company to apply for a patent in its own name if the inventors were, at the time the invention was made, under an obligation to assign their rights in the invention to the company.

The best way for the company to secure rights to the inventions of its employee is to have the employee enter into an agreement to disclose the inventions to the company and to assign the rights in those inventions to the company; such contracts are governed by state law. Typically, these agreements will obligate the employee to assign to the company all rights to any invention made in the course of employment or on his or her own time but in the company’s area of interest. In some circumstances, it may be reasonable to extend the agreement to inventions conceived during employment and reduced to practice after employment. It may even be appropriate to require assignment of inventions conceived shortly after termination of employment, if necessary to protect a legitimate interest of the company. It is more likely a court will uphold an employment agreement if it is reasonable. Reasonableness turns on many factors, including whether trade secrets of the company are involved and whether the agreement is unduly harsh and oppressive to the employee. An invention assignment agreement is a contract and therefore requires consideration. Most often, employment is the consideration and the agreement is signed.

For more ACC InfoPAKs, please visit http://www.acc.com/infopaks
prior to or upon starting work. If the invention agreement is being obtained later or is being changed for an existing employee, some additional consideration should be given to the employee to ensure that the new agreement is enforceable. The consideration may be, for example, a raise, bonus, or promotion. Mere continued employment is not adequate consideration in some states. However, terminating the employee and then conditioning the rehire on signing the invention agreement should be adequate consideration.

As part of the invention agreement process, the employee should be advised of and agree to follow the company’s policies and procedures on inventions. Upon termination of the employment, it is advisable to give the employee a copy of the signed invention agreement, remind the employee of his or her duties under it, and obtain a signed acknowledgement that he or she has received a copy.

2. Third-Party Agreements

Another element of the company’s patent program should address the handling of disclosure and development of inventions in interactions between the company and third parties. Information to be disclosed and inventions developed by the company should be reviewed prior to any disclosure to third parties, to ensure that disclosure will not adversely impact patent rights. The company’s patent policy should specify the involvement of in-house counsel at the onset of these types of interactions to establish an appropriate agreement prior to any disclosure of technical or business information or developments. An initial non-disclosure agreement may be established for initial interactions. A more extensive agreement, considering the nature of the business relationship, should be finalized prior to further dealings to address, for example, the parties’ respective ownership of inventions and subsequent patents; responsibilities for procurement, maintenance, and enforcement of patents; and warranties and indemnification.

a. Disclosures

It is common to need to disclose some confidential technical or business information when dealing with vendors, customers, and business partners. Whenever this occurs, the disclosure should be covered by an agreement that adequately protects the company’s interest in the information. The agreement can be relatively simple in most situations. Some companies include a confidentiality agreement as part of a visitor sign-in procedure. When disclosing information to another, the agreement should require the recipient to keep the information confidential and to not use it for any unauthorized purpose for a sufficient period of time. Absent a confidentiality obligation, the patentability of the invention may be adversely affected by such a disclosure. This adverse impact attaches immediately in some foreign countries. The confidentiality period should preferably extend at least until the invention is published by the company through a patent publication or otherwise. Typically, the authorized use of the information should be limited to the business purpose for which the company disclosed it. Further measures may be warranted in some cases to protect the information, such as a contractual obligation specific to the handling and return of the information, a limitation as to which employees are allowed access, or technical measures to prevent reverse engineering of any product samples that may be disclosed. Such disclosures may occur in either direction. When the company is receiving information, it may be desirable to minimize the company’s obligations of confidentiality and nonuse of the other party’s technical or business information.
b. Developments

If the business relationship will potentially result in patentable inventions, it is desirable for the company and the other party to agree on who will own the inventions, who will bear the expense of procuring patents, and what rights each will have to practice and enforce the patents. Absent any agreement, the employers would likely own the patent rights of their respective inventor employees, and each co-owner could use and/or license any resulting patent without accounting to the other owners. In some circumstances, the applicable law may result in a transfer of title or license rights to the other party, such as to the United States Government in the case of government contracts, especially if the invention was made pursuant to a government grant or other government funding.


All publications by the company, whether marketing materials, advertisements, trade show handouts and displays, articles published by employees, SEC filings, Internet sites, product packaging and labeling, or otherwise, could contain a disclosure of an invention that could adversely affect the company’s patent rights in the United States or a foreign country. Rules concerning disclosure vary by country. Therefore, the company should routinely review materials before publication. A formalized “approval to publish” procedure is advisable.

4. Invention Reporting

Once conceived, inventions should be reported to the company as soon as possible. If patent protection for the invention is not pursued in a timely manner, it could be lost. It is helpful to make the reporting of inventions not only the employee’s responsibility, but also the responsibility of the first-line managers who are aware of the work being performed by the employees under them. Managers can be trained to recognize when an invention is sufficiently developed to report it to the company. The Sample Invention Disclosure Form found in Section XVII can be used as an invention record for gathering the information needed for the company to consider the merits of the invention and to highlight any potential bars to patentability.

5. R&D and Product Development Records

Until recently, the U.S. patent system granted patents to the first-to-invent. Under the first-to-invent system, it was particularly important for researchers, engineers, product developers, and others who may make inventions to keep adequate records of their day-to-day work in order to document their inventions. Effective March 16, 2013, the Leahy-Smith America Invents Act of 2011 (“AIA”) changes the U.S. patent system from a first-to-invent system to a first-to-file system. After the applicable sections of the AIA take effect, when situations arise involving multiple competing claims of inventorship, the USPTO will not attempt to determine who made the invention first. Instead, the first inventors to file a patent application will receive the patent.

However, the AIA also includes provisions for derivation proceedings before the USPTO or in a district court. Derivation proceedings allow a patent applicant or patentee to change the inventorship, and thus the ownership, of an earlier filed patent or patent application by demonstrating that the inventors of the earlier filed patent or application derived their invention...
from the inventors of the later filed patent or patent application. Although all of the rules and strategies for establishing derivation have not yet been promulgated or developed, relevant evidence will generally include a showing of earlier invention, and access and unauthorized used by the deriving party. Thus, it is still advisable to document the conception of inventions, their reduction to practice, and communications and access regarding the subject matter of the invention for use as evidence when initiating or defending a derivation proceeding. The evidence will need to be sufficient to be accepted by a court or the USPTO, and should be complete, made in the ordinary course of the work, and permanent.

Proper record keeping under the patent program should preferably include the following:

- Use of bound notebooks.
- Legible writing.
- Use of permanent dark ink.
- Timely entry of information into the book.
- Identification of errors with an explanation.
- Crossing out of errors, without obliteratoring or erasing corrections.
- Entering the information in chronological order.
- Not leaving blank space on a page.
- Using every page.
- Not allowing the employees to take the books away from the office.
- Signing and dating each page at the end of each day.
- Having each page promptly witnessed and dated, preferably by two people who understand the information but who are not inventors.
- Having the witnesses sign under the statement “Read and understood by.”

Many records are now kept electronically. However, a problem with electronic records is that it is hard to verify with certainty when they were produced, that they have not been altered, and what “version” a witness reviewed. When using electronic records, it is advisable that they should be printed out, signed and witnessed, and then preserved in a manner resistant to alteration (e.g., on microfilm or scanned and burned on a CD). Keeping proper and timely notebooks requires work and discipline on the part of the employee. Some companies motivate their employees to keep these records by making them a part of their performance appraisal and having a supervisor check the notebooks periodically.

6. New Product Review

New products should be assessed during the development phase for identification of potentially patentable subject matter and potential infringement issues. This is discussed in more detail below. The company should establish a system whereby patent counsel is made aware of potential new products and periodically reviews the progress of the product development.
7. Determining Whether to Apply for a Patent

The U. S. Supreme Court stated that the subject matter that may be patented includes “anything under the sun that is made by man.”\textsuperscript{31} What may not be patented was identified by the Supreme Court as “laws of nature, natural phenomena, and abstract ideas.”\textsuperscript{32} In recent years, the scope of statutory subject matter was even recognized to include some “business methods.” In \textit{Bilski v. Kappos}, the Supreme Court held that certain business methods amount to unpatentable abstract ideas.\textsuperscript{33} Business methods are not patentable in most foreign countries.

Rarely will a company file patents on every invention it makes. Rather, the company will weigh the costs and benefits of filing. The costs include not only the monetary expense, but also the mandatory disclosure of any confidential information resulting from publishing the invention. Factors to consider are set forth in the following sections.

\textbf{a. Relation of the Invention to the Company Business}

When evaluating potential patent protection, the first step should be to consider whether the invention relates to any company profit centers. For example, a software company may not desire to patent its employee’s invention of a magnifying device for viewing a computer screen. Although the product may be of use to software programmers in developing the company’s products, it may only be of minimal use to the company, if it is not in the business of manufacturing or marketing such products. This ancillary invention may benefit the company by reducing development costs, but does not impact its profit center sufficiently to justify pursuing a patent. Conversely, if the company is a computer monitor manufacturer, the invention would more closely relate to its profit center and would represent a potential new product. In this case, the company may decide to pursue patent protection to the extent necessary to preserve rights, pending the company’s business decision whether to proceed with a new product incorporating the invention.

\textbf{b. Competitive Advantage}

Even if the invention relates directly to a company profit center, the company must consider whether the expected scope and timing of patent rights provide a sufficient advantage in the marketplace to justify pursuing patent protection. Duplication of an invention once it is publicly known may be quite easy. A prime example is computer software that may embody thousands or hundreds of thousands of hours of labor to make a program or database that, once created, is readily duplicated in perfect copies with almost no effort. The rapid pace of technological development sometimes outpaces the time it takes to secure a patent. By the time the patent issues, the value of the technology may have waned. In such cases, the lead time the innovator enjoys over its competitor may be sufficient market protection, because by the time the competitor catches up, the technology and the market have moved on to something better. Also, if the expected patent scope is relatively narrow, competitors may be able to “design around” the patent. In these cases, the company may decide that its competitive advantage is greater by avoiding publication and keeping the invention a trade secret.

\textbf{c. Defensive Benefit}

One benefit of filing a patent application is that it can establish prior art against patent applications filed later, such as by the company’s competitors. This helps prevent a competitor from making
the same invention and patenting it, thereby precluding a company from using its own invention. This situation can occur when competitors are simultaneously seeking to solve the same technological problems to meet the needs of the marketplace and invent the same solution to those problems. When that happens and more than one inventor files a patent application on the same invention, up until the effective date of the AIA on March 16, 2013, the USPTO decided which one is entitled to the patent through a special process known as an “interference.” The first applicant had advantages in that process. Post AIA, the USPTO will simply grant the patent to the first-to-file; moving away from the first-to-invent system to a system more in tune with other countries is one of the primary purposes of the AIA.

The patent publication system is also important for establishing defensive prior art. Since November 2000, United States patent applications are published 18 months (or less) after filing. However, applications whose filing predates November 2000 may still remain confidential, depending on actions taken by the applicant during prosecution. Also, if an applicant forswears seeking corresponding applications in other countries, the applicant may still prevent publication of a U.S. application. In addition to publishing through patent applications, publication of an invention can be achieved simply by publishing in trade journals or other publications that make the invention generally available to the public on a provable date.

d. Technology Transfer

Another benefit of obtaining patents is the value that may be received from transferring the patent rights through sale or licensing. For some companies, such transfer of technology is a primary profit center. Patent rights may be licensed not only to generate revenue but also as an element of settling a conflict or dispute with a competitor.

8. Determining the Scope of Patentability

Once the company has decided that it desires to seek patent protection on the invention, the next step is to conduct a patentability study to assess the likely scope of the exclusive rights of any resulting patent. This study should be conducted through an in-house or outside patent lawyer. There is no legal requirement to conduct such a study; an application can be filed without one. However, a study will allow the company to evaluate whether the likely patent coverage is worth the expense before incurring costs. The results can also be used to more properly focus the application on the patentable aspects of the invention.

The patent lawyer will conduct a search to locate prior art that may affect the patentability of the invention. If the invention is a design, the search will include the USPTO’s design patent collection. From the search results and any other information provided by the company, the patent lawyer can render an opinion as to the likely scope of patent protection that may be obtained on the invention.

In addition, patent reform legislation, while largely addressed with enactment of the AIA, is still subject to ongoing debate and should be considered when evaluating the company’s intellectual property portfolio. The company also should consider examining the availability of patent rights in foreign countries. Further, patentability standards can be changed or modified based on case law. For example, in *KSR International Co. v. Teleflex, Inc.*, the U.S. Supreme Court redefined the standards for obviousness. As a result, the company should be aware that any patentability...
opinion is merely an opinion and not a definitive answer regarding the patentability of an invention.

9. Recent Substantive Changes to Patent Law Under the AIA

a. Objectives of the New Law

A primary stated goal of the AIA is global patent harmonization. This harmonization includes changing to a first-to-file system and making certain foreign activities prior art to U.S. patent applications.

Another stated goal of the AIA is improvement in patent quality. Thus, pre-grant third-party submissions to the USPTO are encouraged, an entirely new post-grant review process is instituted, and new inter partes review procedures are established. These procedures provide new avenues for challenging patent applications and the validity of issued patents.

b. First-to-File Replaces First-to-Invent

Under the new law, filing a patent application determines priority (i.e., the first inventor entitled to a patent), not whether a person was in fact the first to conceive of the invention. However, if the first-application filer derived the invention from a second-application filer, priority can still be awarded to the first true inventor. These changes take effect on March 16, 2013.

Under the first-to-file system, inventors will generally no longer be able to “swear behind” the prior art (i.e., establish an actual date of invention earlier than the date of filing a corresponding patent application), and instead will be awarded priority as of the effective filing date of their application. A procedure similar to “swearing behind” will still be available in certain limited situations, such as under new subsections 102(b) and (c), which remove from prior art public disclosures in patents and applications that were owned by or subject to a duty to assign to the same party.

c. Public Disclosures and One Year Grace Period

Inventors will no longer have a general one year grace period to file a patent application after a public disclosure of an invention. Instead, they will only have a personal, one year grace period with respect to their own public disclosures. More specifically, public disclosures will not be prior art with respect to a claimed invention if the public disclosure was made by a named inventor (including any joint inventors) within the one year grace period, or resulted from an inventor disclosing (directly or indirectly) the invention to a non-inventor who made the public disclosure.

In addition, disclosures appearing in patent applications and patents are not prior art to a claimed invention if (1) the disclosure was derived from the inventor or a joint inventor, (2) the subject matter had previously been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter from the inventor or joint inventor, or (3) the subject matter disclosed and the claimed invention were owned by the same entity, or were subject to an obligation of assignment to the same entity no later than the effective filing date of the claimed invention.
Once an invention is disclosed, it is prior art against subsequent U.S. patent applications, except that the inventor or joint inventor can “swear behind” his or her own prior disclosure for up to one year. In addition, a prior patent or published patent application is not prior art against a claimed invention if the inventor or joint inventor of the claimed invention published the subject matter before the effective filing date of the prior patent or published patent application. Thus, publication of an invention may become a more valuable tool in an overall patent strategy to ward off competitor’s patents, while preserving the right to pursue U.S. patent protection. An important consideration in this strategy, however, is the lack of a similar one year grace period in most foreign countries.

**d. Expansion of Prior Art**

The scope of prior art available to defeat patentability or validity of patent claims is expanded under the new law. Specifically, U.S. patents and published U.S. patent applications claiming priority to foreign-filed patent applications will be considered prior art if “effectively filed” before the effective filing date of a claimed invention. Consequently, a published U.S. patent document claiming priority to a foreign filed patent application may be considered prior art as of its earlier foreign filing date (i.e., effective filing date) rather than its U.S. filing date. Under prior U.S. practice, the effective date of a U.S. patent document as prior art was the date of its filing as a U.S. national application.

**e. Prior User Rights**

The prior user rights defense, found under 35 U.S.C. § 273, is now expanded to include all patents, not only patents directed to business methods. Defendants must prove by clear and convincing evidence that they commercially used the claimed invention in the United States at least one year before the earliest claimed priority date for the patent in question or the earliest public disclosure of the claimed invention that qualifies for the prior art “grace period” under 35 U.S.C. § 102(b).

The prior user right is personal and non-transferable, except with the transfer of an entire business. Notably, the prior user defense cannot be asserted by an individual against a university if the university files an action against the individual, unless there are federal grant monies involved in the reduction to practice of the patent being asserted. The defense also is not available if the use was derived from the patent owner, or if the commercial use was abandoned.

**f. Derivation Proceedings**

The new first-to-file provisions essentially eliminate patent interference practice—the first actual inventor will no longer have priority over the first-to-file a patent application. However, if the invention was derived from a prior inventor, priority can be stripped from the first filer under the new “derivation” procedures.

A derivation proceeding can be brought before the PTAB within one year of the date of first publication of an application. In addition, a civil derivation action may be brought within one year from the issue date of the patent that allegedly claims the invention derived and claimed in a patent.

A derivation petition must be filed in the USPTO within one year from the first publication of an application that meets two criteria: (1) the application must contain a claim to an invention that is
allegedly the same or substantially the same as the earlier application’s claim to the invention and (2) the application must name as an inventor an individual alleged to have improperly derived the invention.46

While the parties can settle the derivation claim, the settlement agreement must be filed with the Director of the USPTO and can be kept confidential at the request of a party to the proceeding.47 The PTAB is to take action consistent with the agreement, unless it finds that the agreement is inconsistent with the evidence.48

Civil derivation actions may be filed in district court within one year from the issuance of the patent that (1) contains a claim to the allegedly derived invention and (2) names as an inventor an individual alleged to have derived the invention.49


If the company decides to proceed after reviewing the patentability opinion, the patent lawyer then prepares a patent application for review by the inventors. When the application is approved by the inventors, they sign a required declaration that they are the inventors and that they believe the invention is patentable.50 They also execute an assignment of the invention to the company.

Once all papers and fees are filed with the USPTO, the examination process begins. The USPTO currently accepts the patent application either in hard copy or electronically, with the trend being towards requiring most if not all applications to be filed electronically.

For utility inventions, the company may initially file a provisional patent application. Some of the significant features of a provisional application are:

- The provisional filing date can be used to establish the priority date for corresponding foreign applications.
- The provisional filing date does not count when calculating patent term.
- The cost of preparing and filing may be relatively low because the requirements for a provisional application are less rigorous than those for a regular application. This allows additional time for the company to make a decision to proceed with the cost of a regular application.
- Provisional applications are not examined.
- Provisional applications are not published, unless referred to in a regular patent application.
- Provisional applications expire at the end of one year.

Because the provisional applications expire without becoming patents, a regular utility application needs to be filed within one year of the provisional filing date.

The USPTO has implemented several programs by which it can expedite the patent examination process. The most notable of these is Accelerated Examination.51 During the examination process the company may file a petition to make the patent application “special” with the USPTO, thereby allowing the company to obtain a final decision on patentability within 12 months of the filing.
date. Accelerated Examination is intended for situations in which a prolonged delay in the grant of an application would harm the commercial viability of the technology sought to be patented. It is also available when an inventor is over 65 years old or in poor health such that the inventor might not be available to assist in the examination of the application, unless prosecution is expedited. The USPTO website provides updates regarding such special programs.

Once the patent application is examined, the company may have to make decisions regarding filing additional related applications. Examples are:

- **Requests for Continued Examination.** During examination of a patent application by the USPTO, the examiner and the company may not reach agreement on the patentability of all of the claims. In this case, the company can appeal, or can continue prosecution by filing a Request for Continued Examination (RCE). An RCE is not a new application; rather it is a continuing examination of the original application. Thus, it retains the same disclosure and filing date. However, because of new workflow procedures instituted by the USPTO, the next Office Action by the Examiner may not issue for several months to a year in many cases.

- **Continuation applications.** Often during examination of a patent application, the Examiner will agree to only allow claims that are significantly narrower than what the owner of the application is entitled to. In such cases, the owner may choose to accept the Examiner’s narrow claims to obtain limited patent protection immediately, while preserving the right to argue for broader claims by filing a continuation application. Like an RCE, a continuation application contains the same disclosure and is entitled to the same priority date as the original application. However, the USPTO considers a continuation application to be a completely new application, and therefore the waiting period between the filing of a continuation application and the Examiner’s first Office Action can be as much as several years.

- **Continuation-in-Part (CIP) applications.** A CIP application differs from a continuation application because it contains additional disclosure. The CIP will enjoy the benefit of the filing date of the prior application only for claims that are fully supported by the disclosure of the prior application. All other claims will have the benefit of only the CIP filing date.

## 11. Costs

The costs of conducting the state of the art study, patentability study, preparation of the patent application, and prosecution to issuance in the USPTO will vary depending on the complexity of the invention. Additionally, USPTO fees vary based on whether the company is designated a large or small entity. A recent survey reported the following typical mid-range costs (the 25th and 75th percentiles). The costs below are the averages (rounded to the nearest $100) in 2011 over the entire United States and do not take variation by geographical location into account. Also, these costs do not include the official USPTO fees.

- Novelty search and opinion: $2,000
- Preparation of a utility patent application:
• Minimal complexity: $5,500 to $9,000
• Relatively complex biotechnology/chemical: $9,000 to $15,000

- Preparation of a provisional patent application: $2,125 to $6,875
- Preparation and filing of an amendment in prosecution of a patent application:
  • Minimal complexity: $2,093 to $2,500
  • Relatively complex biotechnology/chemical: $3,592 to $4,000
- Issuance of a patent: $800 to $1,000

In addition, three maintenance fees must be paid at 3.5, 7.5, and 11.5 years after the issue date of the patent to maintain the patent’s enforceability. As of July 2012, these government fees were $1,130, $2,850, and $4,730, respectively, for a large entity. The survey reports average attorney charges of $200 for paying maintenance fees.

12. Timing

Patent applications should be filed before events occur that will result in the loss of patent rights. Generally, this means before the public use or disclosure of the invention. The United States has a grace period of one year to file after public use or disclosure, but this grace period may not protect against patent applications filed by other companies becoming prior art that can be cited against the application. (Most other countries have no grace period.) Also, filing promptly will establish an earlier filing date, and is likely to enhance the company’s position in any derivation proceedings. The company’s patent lawyer should consider the likely activities of competitors, including competitors’ likely reactions to pre-filing disclosures, when determining when to file.

13. Other Considerations in Filing Patent Applications

There are several consequences of filing a patent application that the company should consider.

a. Confidentiality

The first consequence relates to confidentiality. The subject matter of the patent application will be published when the patent is granted or referred to in another issued patent. Also, new utility patent applications are published about 18 months after the priority date to which the application is entitled, which in some cases can be only a few months after actual filing in the U.S. An applicant can avoid publication of an application (and thus maintain its confidentiality) by filing a request with the application and certifying that the invention disclosed in the application has not been, and will not be, the subject of an application filed in any other country. In effect, the applicant must forswear foreign rights to the invention. If this request is denied, the application will be published. Other reasons why an application may not be published include: the application is no longer pending, as when the application was abandoned; the application is subject to a government secrecy order; or the application is a provisional or design patent application, neither of which is subject to the same publication rules. However, once the

For more ACC InfoPAKs, please visit http://www.acc.com/infopaks
application issues as a patent, the contents of the application, including all remarks made by the applicant to the USPTO, become part of the public record.

b. Invention Secrecy Act and Atomic Energy Act

The second consequence relates to two different U.S. laws. Every U.S. patent application is reviewed by the USPTO for subject matter falling under either the Invention Secrecy Act of 1951 or the Atomic Energy Act of 1954. That subject matter includes information that would be detrimental to the national security if publicly known, and inventions directed to the use of special nuclear material or atomic energy. Under the Invention Secrecy Act, the USPTO may issue a secrecy order placing the application in suspension, precluding the applicant from disclosing the information in the application and from filing any foreign patent applications. Although the applicant is entitled to compensation from the government for damages and any use of the invention by the government, such a secrecy order may preclude the company from practicing the invention in its own business. Under the Atomic Energy Act, the company cannot patent any invention directed to the use of special nuclear material or atomic energy in an atomic weapon. Also, the government may invoke compulsory licensing of inventions directed to the production or use of special nuclear material or atomic energy.

C. Patent Committees

Patent committees are discussed in Section VII.

D. Instituting a New Patent Program – A Phased Approach

Instituting an entire new patent program will likely take many weeks or months. The program may be phased in to address the more urgent areas first and may consist of the following steps:

- Conduct a baseline audit to determine what patents and patent applications the company has and what third-party relationships exist that affect inventions.
- Determine what company patent rights are perceived as important by the company. These will include patent rights that are used or projected to be used in the business. In-house counsel may find that patent rights exist for discontinued products or on inventions that may not be important to the company business.
- Implement confidentiality agreements and disclosure and publication review guidelines so the company will not unintentionally lose patent rights. Have all new employees sign invention disclosure and assignment agreements as a condition to employment and before starting work. Prepare and file patent applications, maintain patent application prosecution, and pay outstanding maintenance fees and annuities on important patents and patent applications. Revival may be available for certain lapsed patent applications and issued patents.
- Establish a long-term program and a budget; have them approved by management.
- Institute the patent program for the long-term. This includes having all patent applications entered in a docket system for tracking prosecution and maintenance due dates. Computerized docket systems are preferred and are available from a variety of vendors. Patent annuity payment services are also available.
■ Set up a Patent Committee.
■ Have existing employees sign any new agreements as a condition to receiving a raise, bonus, or promotion.

E. Patent Training for Employees

All employees should receive some level of training on the company’s policies and procedures regarding inventions. For researchers, engineers, and other employees that are likely to make inventions, the training should be more extensive, covering basic principles of patentability and the employee’s responsibilities to the company regarding reporting and recording inventions. Managers should receive the same extensive training. In addition, managers should be trained on their responsibilities under the company’s policies and procedures and on interactions with the patent committee. This more extensive training should be conducted by a patent lawyer.

F. Avoiding Infringement of Third-Party Patent Rights

Usually patent infringement problems arise after the company’s infringing product is already in the marketplace. At this stage, the infringement can result in serious consequences for the company, including litigation and retooling costs, distraction of employees to deal with the matter, adverse customer relations, and perhaps the loss of the entire product line. The company can take steps to avoid infringement problems through its patent program. The key is for the company to be aware of new manufacturing processes and product designs and clear them from potential infringement at an early stage, when any necessary changes can usually be carried out more economically. By monitoring new product developments and company invention disclosures, the company can identify significant proposed product and process changes that warrant clearance before marketing.

1. State-of-the-Art Study

A “state of the art” study may be conducted early during product development to find existing patents and publications for similar products and processes. The study should include a search for patents and review of the literature. This study will provide information on what others have invented when confronted with similar problems. It will also identify, early in the design process, any existing patents to be avoided. Any necessary design changes can likely be made at this stage more efficiently and at relatively lower cost.

2. Infringement Study

Once a product or service is sufficiently developed so that its final functional configuration is fairly well determined, the company should conduct a patent infringement study and obtain an infringement opinion. This should be done prior to incurring significant new tooling and manufacturing facility commitments or launching a new service into the market. If the study reveals infringement issues, they may be correctible at this stage. Also, in the event the product or service is later found to infringe a patent, having the infringement opinion can help avoid any
award of enhanced damages for willful infringement, which could be up to three times the amount of compensatory damages, as well as any award of attorneys’ fees to the patentee. However, it is now more difficult for a plaintiff to obtain treble damages. In general, there is no “adverse inference that an opinion was or would have been unfavorable” where an alleged infringer fails to produce an exculpatory opinion of counsel.

The non-infringement opinion should:

- Be in writing and rendered by a competent patent lawyer.
- Include a comparison of the claims of the patent with the company’s product and include reasons why the product is not within the scope of the patent claims.
- Include a review of the patent’s prosecution history.
- Be rendered prior to commencement of manufacturing and marketing activity.

If the company makes changes to the design of the product after the infringement opinion is rendered, a supplemental opinion should be obtained.

3. Designing Around Patents

“Designing around” a specific patent means to configure a product or process so that it does not infringe that patent. The product or process infringes the patent if it includes all of the elements of any one of the patent’s claims, the numbered paragraphs at the end of the patent. The elements of a claim are the features or steps listed. Typically, “designing around” eliminates from the company’s product or process at least one element of each of the patent’s claims. Often, the same element can be identified for many, if not all, of the claims in a patent. The element does not have to be novel and can be one that is old in the art. Sometimes avoiding a claim element is simple. Other times, extensive effort is required to develop an alternative feature or step while still maintaining a commercially acceptable product or process.

4. Validity Study

If an infringement issue is discovered and the product cannot be modified to avoid the patent without rendering the product inferior or uncompetitive, the validity of the patent claims can be analyzed. In 2011, the U.S. Supreme Court confirmed that a heavy burden of persuasion confirms those seeking to invalidate U.S. patents. Therefore, it is usually more difficult to defend a patent infringement claim based on invalidity, and thus preferable to have a non-infringement position based on the product’s lack of one of the claimed features as discussed above. The most common basis for invalidity is prior art not considered by the USPTO in examining the patent. Thus, a validity study includes a search for such additional prior art. The invalidity search is often extended to public literature and well beyond the records of the USPTO to other patent collections that may not yet have been searched, such as those at the European Patent Office and the Japanese Patent Office.

In addition, patents in certain technical areas, particularly business methods and biotechnology, are sometimes found invalid based on failure to satisfy patentability requirements that do not
relate to prior art, such as insufficient disclosure,\textsuperscript{64} being too abstract,\textsuperscript{65} or limited to a law of nature.\textsuperscript{66}

5. **Licensing**

Another option for dealing with a potential infringement issue is to seek a license under the patent. If the patent owner is willing to grant the license under commercially acceptable terms and conditions, this will enable the company to use the needed patented invention in the company’s products or services. The company may also cross-license its own patents to the patent owner.

6. **Monitoring Competitors for Infringement of the Company’s Patent Rights**

To help maintain its competitive edge, a company needs intelligence on the products and services its competitors are offering in the marketplace. This information is helpful not only in the configuration and pricing of the company’s products, but also in policing the company’s patent rights. Good sources of such intelligence include:

- Trade Shows
- Web Sites
- Trade Journals
- Patent Searches
- Customers and Vendors
- Private Detectives
- Reverse Engineered Products
- Competitors’ Employees

The patent program should include the gathering of intelligence on the competitors’ products. Marketing personnel particularly have many contacts with good sources of such information. They should be trained to properly gather it and report it back to the company.

G. **Asserting Patent Rights in Court**

If the company feels that its patent rights have been violated by another party, the company has a variety of options that it may pursue, ranging from offering to license the patented technology to filing a lawsuit. Before proceeding with a lawsuit, the company should consider warning the alleged infringer in clear language of its potential infringement of one or more of the company’s patents. If the alleged infringer fails to cease its infringing use, suit should be filed in a timely fashion in order to ensure that the company obtains the venue of its choice for trial. If licensing negotiations are not begun or suit is not filed in a timely fashion, the alleged infringer may file an action for a declaratory judgment, thereby obtaining the venue of its choice for the trial. As explained below, there are many considerations in asserting patent rights.
1. Declaratory Judgments

A declaratory judgment of invalidity is a court action in which an alleged infringer seeks a judgment declaring a patent invalid. In order to seek such a judgment, the alleged infringer must have standing to sue. In general, anyone who has received a direct threat of enforcement of patent rights has standing to sue for a declaratory judgment. In 2007, the U.S. Supreme Court held that a patent licensee need not breach the licensing agreement in order to have standing to seek a declaratory judgment regarding the validity of the licensed patent. Therefore, a licensee who believes the licensed patent is invalid may elect to seek a declaratory judgment challenging the patent’s validity.

2. Remedies

The two most common forms of remedies are an award of monetary damages and an injunction preventing the defendant from further utilizing the patent. Monetary damages are typically awarded in the forms of a reasonable royalty rate for the use of the patent or for lost profits. An injunction prohibits the infringer from further use of the patented technology. The same factors apply in determining whether to issue an injunction in a patent case as apply in other contexts. In order for an injunction to issue, the patent holder must show that: 1) it has suffered an irreparable injury; 2) monetary damages would not be able to fully compensate the patent holder’s injuries; 3) the balance of hardships between the parties warrants an equitable remedy such as an injunction; and 4) an injunction would not disserve the public’s interests. When an injunction issues, the infringer is prohibited from further use of the patented technology. The infringer may also be ordered to pay damages, typically in the form of a reasonable royalty or lost profits for its past infringing use of the patented technology.

3. Enforcement at the International Trade Commission

As discussed in Section VI, infra, the United States International Trade Commission (ITC) provides an additional avenue through which patent holders may elect to enforce their rights. While the ITC cannot impose monetary penalties upon infringers, the ITC can prohibit the importation of products that it deems to infringe patent rights. It is common for patent holders to proceed with an ITC and federal district court action at the same time.

4. Costs

The cost of patent litigation varies with respect to the amount of money that is at issue in the action. A recent survey reported the following typical mid-range costs (the 25th and 75th percentiles) for patent litigation. The costs below are the averages (rounded to the nearest $100,000) in 2011 over the entire United States and do not take variation by geographical location into account. Also, these costs are estimates of the total cost of litigation, including court fees.

- Less than $1 million at issue:
  - End of discovery: $200,000 to $500,000
For more ACC InfoPAKs, please visit http://www.acc.com/infpaks

- All costs: $388,000 to $1,000,000

  - $1 to $25 million at issue:
    - End of discovery: $750,000 to $2,000,000
    - All costs: $1,300,000 to $4,000,000

  - More than $25 million at issue:
    - End of discovery: $1,500,000 to $5,000,000
    - All costs: $3,000,000 to $7,500,000

H. Attacking Patent Rights at the USPTO

The AIA, the most significant patent legislation in the last 50 years, provides a panoply of new procedures for challenging the validity of patents before a newly formed PTAB at the USPTO. We will briefly review those changes and discuss whether, and under what circumstances, a competitor or alleged infringer can use the post issuance procedures to attack the validity of a patent before the USPTO. The usefulness and risks associated with post issuance proceedings is critical to companies going forward.

1. Third-Party Submissions

Under 35 U.S.C. § 301 et seq., third parties are encouraged to submit prior art to the USPTO before the commencement of prosecution of an application for patent. The new law permits a third party to submit for examiner review prior art patents and publications up to the later of six months from publication of the patent application or before the first office action or notice of allowance. The rule requires the submitting party to explain the relevance of the submitted prior art.

2. Reexamination

The new law amends the procedures for ex parte reexamination (now simply called “reexamination”) and inter partes reexamination (now called “inter partes review”), and also establishes a new procedure called “post-grant review.”

Reexamination is still predicated on prior art publications and patents. The basis for provoking reexamination is still by showing that there is a substantial new question of patentability. However, a patent owner’s recourse from an adverse decision of the PTAB is direct appeal to the Federal Circuit; no longer will patent owners be able to seek adjudication of reexamination decisions in district court.

3. Inter Partes Review
Under 35 U.S.C. § 311 et seq., an inter partes review can be provoked by the petition of a non-patent-owner filed after either nine months post-patent-grant, or after the termination of a post-grant review. Inter partes review may only be based on prior art patents and publications and thus does not extend to all potential types of prior art or bases for patent invalidity.

The inter partes review is an administrative adjudication proceeding initiated directly before the PTAB. As with reexaminations, the only judicial recourse from the PTAB decision is direct appeal to the Federal Circuit.

Petitioners for inter partes review cannot have previously challenged the validity of the patent in court and cannot have been served with a complaint alleging infringement of the patent more than a year prior to filing the petition for inter partes review. In addition, the inter partes petitioner will be estopped in court from raising issues that were or could have been raised before the PTAB.

4. Post-Grant Review

Under 35 U.S.C. § 321 et seq., persons other than the patent owner can petition for post-grant review of a patent within nine months of the patent’s grant. Such review is to be granted, if it is “more likely than not,” that the challenged patent claims are invalid or if the petition raises a “novel or unsettled legal question.”

Post-grant review may be instituted during the first nine months after the grant of a patent (original or reissue patent) having a priority date that is later than March 15, 2013. Unlike reexamination and inter partes review, which provide only a limited basis for reexamination (i.e., patents or other printed publications), post-grant review will permit a challenger to rely on any ground of invalidity that could be asserted in infringement litigation in court. However, the petitioner cannot have previously challenged the patent’s validity in court and, similar to inter partes review, an instituted post-grant review will estop the petitioner in court from raising any issues that were or could have been raised before the PTAB. A one-year time limit is generally imposed on the PTAB to complete post-grant review.

Inter partes review and post-grant review procedures have the following key features:

- **Identification of petitioner.** The identity of the real party in interest must be disclosed in the petition to institute the proceeding.

- **“Reasonable likelihood of success.”** The threshold for initiating an inter partes review or post-grant review requires petitioners to show a reasonable likelihood that the petitioner will prevail as to at least one claim of the patent.

- **Evidentiary burden.** The petitioner bears the burden of establishing that a patent is invalid under a preponderance-of-the-evidence standard of proof.

- **Time limits during litigation.** Parties who want to use inter partes review during litigation are required to do so within 12 months of being served with a complaint alleging infringement of the patent and are barred from seeking or maintaining a post-grant review if they file an action for a declaratory judgment that the patent is invalid.

- **Discovery.** Parties may depose witnesses who have submitted affidavits or declarations and seek such discovery as the USPTO determines is necessary in the interest of justice.
■ **12- to 18-month deadline.** Inter partes and post-grant reviews must be completed within one year after the proceeding is instituted, however the USPTO can extend the deadline by six months “for good cause.”

■ **Hearing.** Each party has the right to present oral argument at a hearing before the PTAB.

■ **Three-judge panels.** Inter partes reviews and post-grant reviews will be conducted before a panel of three “administrative patent judges” of the PTAB.

■ **Right of Judicial Recourse.** PTAB decisions (as is the case with decisions in reexaminations) can only be appealed directly to the U.S. Court of Appeals for the Federal Circuit, which reviews them on the basis of whether there is “substantial evidence” in the administrative record that supports the PTAB’s fact-finding, and de novo on the PTAB’s conclusions of law (e.g., claim construction).

■ **Estoppel in subsequent proceedings.** A party that uses inter partes review or post-grant review will be estopped in a subsequent proceeding from asserting the same grounds that it raised or reasonably could have raised in the earlier proceeding.

5. **Supplemental Examination**

A new “supplemental examination proceeding” is created whereby “[a] patent owner may request supplemental examination of a patent in the office to consider, reconsider, or correct information believed to be relevant to the patent, in accordance with such requirements as the Director may establish.” Supplemental Examination is intended to deal with issues relating to inequitable conduct prior to *Therasense, Inc. v. Becton, Dickinson and Co.*71

After a patent is granted, the patent owner can initiate a procedure for further examination of the claims on any grounds that raise a substantial question of patentability.72 This can be used to purge possible inequitable conduct, unless pending litigation claims of inequitable conduct have already been made. If during the course of the Supplemental Examination or a reexamination, if the USPTO becomes aware of possible fraud in the procurement of the patent under which examination was ordered under this section, the matter may be referred (confidentially) to the Attorney General for possible criminal charges.

6. **Transitional Program for Covered Business Method Patents**

A special post-grant review proceeding also is established for business method patents (i.e., claims to a method or apparatus for performing data processing or operations used in the practice, administration, or management of financial products or services). The review is initiated by a petitioner who must be the real party in interest (i.e., a defendant charged with infringement). The proceedings are similar to post-grant review and are conducted by the PTAB.

Under the proposed rules, any party may request review of a business method patent if the party has been sued for infringement of the patent unless the party is estopped from challenging the patent on the grounds asserted in the petition. The petition may be made at any time unless the patent is available for post-grant review. By its terms, the review of business method patents is only available until September 15, 2020.
The following chart provides a summary comparing the various procedures now or soon to be available for challenging patents before the USPTO.

Chart on Next Page
Summary of New Post-Grant Options Under the AIA

**Options for patent owner:**
- File an "ex parte" reexamination to ask the USPTO to reconsider the validity of the claim over the prior art.
- File a Supplemental Examination to ask the USPTO to consider, reconsider or correct information believed to be relevant to the patent and which raises a substantial new question of patentability.

**Options for third parties:**
- File an "ex parte" reexamination to ask the USPTO to reconsider the validity of the claim over the prior art.
- File a Post-Grant Review (but only within 9 months from grant/reissue) challenging the validity of the patent on any grounds.
- File an "inter partes" review (but only after the 9 month period is over and within one year of being sued for infringement) challenging the validity of the patent over the prior art.
- File a TPCBM proceeding if the patent is a business method in the financial industry.

---

Summary of Post-Grant Procedures Under the AIA

<table>
<thead>
<tr>
<th></th>
<th>Ex Parte Reexam</th>
<th>Supplemental Examination</th>
<th>Post-Grant Review</th>
<th>Inter Partes Review</th>
<th>Financial Industry proceeding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who can file?</strong></td>
<td>anyone</td>
<td>patent owner</td>
<td>third party only</td>
<td>third party only</td>
<td>third party sued or accused of infringement</td>
</tr>
<tr>
<td><strong>Basis</strong></td>
<td>patents and printed publications</td>
<td>any grounds</td>
<td>any grounds</td>
<td>patents and printed publications</td>
<td>any grounds</td>
</tr>
<tr>
<td><strong>Threshold</strong></td>
<td>substantial new question of patentability</td>
<td>substantial new question of patentability</td>
<td>(1) more likely than not or (2) novel or unsettled legal question</td>
<td>reasonable likelihood</td>
<td>(1) more likely than not or (2) novel or unsettled legal question</td>
</tr>
<tr>
<td><strong>Timing</strong></td>
<td>any time after grant</td>
<td>any time after grant</td>
<td>within 9 months from patent grant</td>
<td>later of 9 months after grant or date of termination of a Post-Grant Review (and within 1 year after being sued)</td>
<td>any time after grant</td>
</tr>
<tr>
<td><strong>Estoppel</strong></td>
<td>none</td>
<td>none</td>
<td>yes – issues that were or could reasonably have been raised</td>
<td>yes – issues that were or could reasonably have been raised</td>
<td>yes – any ground actually raised</td>
</tr>
</tbody>
</table>
III. Trademarks

A. What Is a Trademark? What Is a Service Mark?

A “trademark” is a word, phrase, symbol, design, or a combination thereof, that identifies and distinguishes the source of one entity’s goods from those of others. For example, COMPUTER is not a trademark, but DELL is a trademark. A service mark performs the same two functions, but identifies services instead of products. Thus, RESTAURANT is not a service mark, but MCDONALD’S is a service mark. In this Section, we will use the term “trademark” to encompass both types of marks, unless indicated otherwise.

A trademark can be anything that is capable of distinguishing and indicating the source of a product. While most trademarks are words or phrases, such as PEPSI or FLY THE FRIENDLY SKIES, trademarks need not include words. Many trademarks are designs such as Nike’s Swoosh logo. In addition, colors, sounds, and smells can also serve as trademarks. For example, the pink color of Owens-Corning’s insulation is a trademark.

Beyond distinguishing a company’s product from those of its competitors and indicating the source of a product, trademarks serve another important function. Because customers associate trademarks with particular companies, trademarks serve as valuable symbols of the goodwill that exists in a particular product or company. All of a company’s product development efforts, and its marketing and advertising expenditures, are symbolized by the product’s trademark.

B. Selection and Approval of Trademarks

In-house counsel plays a critical role in the selection and approval of new trademarks. In addition to avoiding infringement of other companies’ marks, counsel will also want to educate marketing and product development personnel on the importance of choosing effective trademarks. Good trademarks are those that are easy to market and easy to protect. As discussed below, however, these two goals are at odds with one another. Each of the following types of trademarks has its advantages and disadvantages with regard to marketing and protection.

1. Coined Marks

Coined or “made-up” marks such as EXXON and PROZAC are marks that do not convey any information about the product on which they are used. They are unique and easy to protect because a similar competing mark is likely to confuse consumers. Conversely, they are more difficult to market because they require a substantial marketing effort to explain to the consumer what the product is.

2. Arbitrary Marks

Arbitrary marks are real words that are unrelated to the products on which they are used. For example, APPLE is an arbitrary trademark for computers. Like coined marks, arbitrary marks are strong from a legal protection standpoint and, since they are actual words, they are slightly easier
3. Suggestive Marks

Suggestive marks hint at aspects or qualities of a product, but do not directly describe the product. For example, EXPLORER for a sport utility vehicle suggests qualities of the product. Suggestive marks are fairly strong from a legal protection standpoint, yet much easier to market than coined or arbitrary marks. As such, suggestive marks strike the best balance between the dual goals of finding a mark that is easy to protect and easy to market. However, the dividing line between suggestive and descriptive marks is often not entirely clear.

4. Descriptive Marks

A descriptive mark immediately and directly conveys something about the product. AMERICAN AIRLINES and THE DOLLAR STORE both directly describe the services with which they are used. Because they describe aspects of a product or service, they are seemingly easy to market but difficult to protect. Descriptive marks are relatively poor at indicating the source of a product and in distinguishing a product from competing products, because they describe the product but are not distinctive enough to be associated at the outset with one company.

Descriptive marks are not protectable until they have developed “secondary meaning.” After a sufficiently long period of use in connection with a product, or after a significant marketing and advertising effort, a descriptive mark no longer just describes the product, but secondarily indicates to consumers that the product comes from a particular company.

Although descriptive marks are capable of acquiring secondary meaning, they may have negative aspects. Until a descriptive mark has secondary meaning in the minds of consumers, the owner of the mark cannot stop other companies from using it. Sometimes, despite a company’s best efforts, a descriptive mark never develops secondary meaning because it is not used often or exclusively enough to create the necessary association in the minds of consumers between the mark and the source of the product. Finally, competitors can continue to use descriptive marks even after they have secondary meaning, as long as they use the mark in its original, purely descriptive sense.

5. Generic Terms

Generic terms are so highly descriptive that they are not capable of functioning as trademarks. In contrast to descriptive marks, which merely describe aspects of a product, generic terms immediately describe an entire class of products. For example, IVORY is a trademark, but SOAP is a generic term that is incapable of functioning as a trademark.

6. Narrowing the Field of Potential Trademarks

Prospective trademarks come from a wide variety of sources: the marketing department, outside advertising agencies, consultants, and company employees. Marketing departments sometimes solicit ideas for new marks from employees in the form of contests. Ideally, the process of
selecting a new mark is a winnowing process in which a large field of candidate marks is narrowed to a smaller set of marks to be searched. Inevitably, conflicts that arise in the selection process (or later, in the registration process) will narrow the field. For any new trademark, it is a good idea to generate approximately 15 to 20 candidate marks.

The next step is to conduct preliminary “knock out” searches of the PTO’s records, which can be searched, without charge, on the Internet at www.uspto.gov or on several proprietary subscription services. The PTO web site is limited to marks covered by federal applications and registrations, while the subscription services may also report marks registered on state registers or those that are not registered. The purpose of such a search is to eliminate from consideration marks that have obvious conflicts with trademarks that have already been federally registered by others. Some companies may choose to do consumer testing of the remaining marks at this point, while others may wait until the list is narrowed further by full trademark searches.

Once “knock out” searching and consumer testing are completed, the next step is to prioritize the remaining candidate trademarks for full trademark searching. This can be costly and time-consuming. Many companies select a small number of candidates and search those first, proceeding down the list as necessary. Inevitably, full trademark searches will eliminate additional candidate marks.

7. Searching to Avoid Infringement

Searching to determine whether a mark is available is perhaps the most important phase in the selection process. It is the primary means by which a company can avoid infringing another’s trademark by unwittingly adopting a trademark that is the same as, or confusingly similar to, a mark that is already in use. Trademark infringement – even unintentional infringement – can have serious consequences. Even in a best-case scenario, a company may be forced to stop using a trademark in which it had invested effort, money, and goodwill. If the company is sued and found to have infringed another party’s trademark, the company could be forced to:

- Rename its product;
- Destroy everything (labels, packaging, advertising material) with the mark on it;
- Pay to the plaintiff an accounting of profits made on the sale of the product;
- Pay monetary damages to the owner of the infringed mark; and even
- Pay to the plaintiff his attorney’s fees for the infringement action.

Careful searching can avoid expensive problems, which may result if the company is sued for trademark infringement.

Trademark infringement is defined as using a trademark in such a way that it is likely to confuse the purchasing public as to the source of a product. The concept of “likelihood of confusion” is central to whether a use is infringing and is a function of the similarity between the two marks and how closely the relevant products are related. For example, using the trademark BIK for fountain pens is likely to cause confusion with the trademark BIC for ballpoint pens. Confusion is likely because a reasonable purchaser would conclude that the same company that made BIK fountain pens made BIC ballpoint pens. By contrast, use of the mark BIC for restaurant services is not likely
to cause confusion with the trademark BIC for ballpoint pens. Although the marks are identical, the services and goods are unrelated.  

8. Searching Basics

The purpose of a trademark search is to find similar marks used on related goods and services. In the United States, trademark rights can be acquired merely by using a mark. While many trademark owners choose to obtain federal registration of their marks, registration of a mark is not necessary for protection. Valid and enforceable “common law” rights arise merely from the use of a mark. For this reason, a full trademark search in the U.S. should cover:

- Federal registrations;
- State registrations; and
- Unregistered or common law uses.

Because trademark law is primarily concerned with use on related goods and services, the search will consider the products and services on which the mark will be used.

It is important to remember that there is no central registry for marks that are registered in individual states or are unregistered. It is therefore recommended to employ one of a number of companies that specialize in providing trademark searching services, and have developed proprietary information source databases. These companies can provide the results of trademark searches online or in the form of printed search reports. The standard turnaround time for such a trademark search is about four working days. While these searches are dependent on the completeness of the databases searched, searches help to identify whether obstacles to use and registration of a proposed trademark exist.

9. Availability Opinions

In many cases, in-house personnel may have neither the time nor the expertise to evaluate a trademark search report to determine whether a candidate mark is available. In that event, outside counsel with specialized expertise in the trademark field are often used to evaluate a trademark’s availability and to provide a written opinion. While a company is not legally required to obtain an availability opinion before adopting a trademark, it is a cost-effective means to protect against the costs and consequences of trademark infringement— including the cost of re-launching a product under a different mark.

10. Dealing with Problems

Counsel has a number of options when a search report or opinion letter reveals the existence of a potentially conflicting prior use by a third party. The most important first step is to obtain as much information as possible about the potentially conflicting use and user. Today, most companies have websites that provide information about the company and its products and services. Other company information, such as that provided by Dun & Bradstreet (D&B), LEXIS, and Westlaw, can be of value in evaluating the owner of the conflicting mark. Additionally, specialized trademark investigation firms often can determine whether or not a particular mark is
Because trademark rights flow from use, they can be abandoned through non-use. Failure to use a mark for three years is prima facie evidence of abandonment.

If an investigation confirms that a conflict exists, the options for resolving the conflict include:

- Buying the conflicting mark;
- Obtaining the consent of the owner of the conflicting mark; and
- Filing an action to cancel the registration where the conflicting mark is not in use.

### C. Registration of Trademarks in the United States

With one exception, trademark rights in the United States flow from use, not from registration. Registration of the mark makes those rights stronger and easier to enforce. In the U.S., the trademark registration process involves the following five steps:

1. Filing of an application in the USPTO;
2. Examination of the application by the USPTO, which includes a search of the USPTO’s records (and, where conflicts are found, argument with the USPTO regarding likelihood of confusion);
3. Where no conflicts are found, publication of the application in the USPTO’s Official Gazette;
4. A 30-day period begins, during which third parties can oppose registration of the published application in an administrative proceeding;
5. Where no oppositions are filed and the mark already is in use, issuance of the trademark registration certificate.

The exception referred to above is that U.S. applications may be based on a good-faith intention to use the mark rather than actual use. However, registration cannot issue until use in the U.S. begins. Where an application is based on “intent to use,” Step 5 above is replaced by issuance by the USPTO of a Notice of Allowance. This notice indicates that the USPTO will issue a registration as soon as the applicant demonstrates use of the mark. After the Notice of Allowance is issued, the application may be maintained for up to three years by filing extensions every six months, along with a fee and an explanation of why the mark is not yet in use. Provided the registration eventually issues, trademark rights arise as of the filing date of the application.

The time it takes to register a trademark varies. In a best-case situation in which the mark is in use and no conflicts or formal defects are found and no oppositions are filed, a registration can issue in as little as eight months. Typically, however, successful prosecution of an application for trademark registration takes between one and two years. In some cases, the process can take several years.87

Once a registration is obtained, it must be maintained. U.S. law requires that in the fifth year after the registration issues, the owner of the federal registration must prove to the USPTO that the mark is still in use. If proof is not submitted, the USPTO will cancel the registration.
Trademark registrations must be renewed every 10 years. Evidence that the mark is still in use must also be submitted with the renewal application.\textsuperscript{88}

\section*{D. International Trademarks}

Trademark rights are acquired and protected on a country-by-country basis. For products that are marketed internationally, searching for conflicts and registering marks in other countries is essential.

\subsection*{1. International Searching}

As with domestic searching, the purpose of trademark searches in other countries is to identify similar marks used on related goods and services. As an initial step, searches for identical marks may be possible in databases provided by the Trademark Offices of some countries or by trademark searching services. However, for country-by-country full searching and expert trademark advice, foreign associates should be engaged. Different countries’ legal systems have different ideas about what constitutes likelihood of confusion. Foreign associates also are sensitive to local language issues that may arise. For example, a Mexican trademark associate would have quickly determined that auto maker Chevrolet might have difficulty selling its automobiles under the trademark NOVA in Mexico (“no va” means “it does not go” in Spanish).

The potential market for the product determines the countries in which searches should be conducted. As a general rule, a company should consider searching wherever it intends to use the mark in the next seven to 10 years. Results of country-by-country searches are typically available in four to six weeks. Often, foreign trademark searches identify a few possible conflicts that require further investigation. A thorough search can provide advance warning of trademark problems, thereby allowing the company adequate time to try to resolve them.

\subsection*{2. International Registration Strategies}

In other countries, the law relating to trademark registration can differ from U.S. law in three major areas. First, many countries do not examine trademark applications for conflicts with other registered marks. Second, some countries do not allow oppositions to trademark applications. Third, in most foreign countries, rights in trademarks flow from registration rather than use. In these countries, a trademark owner has no rights in the mark until the mark is registered. Because registration can take up to eight years in some countries, companies should file applications in countries where the mark will be in use in the next seven to 10 years. With a notable exception (discussed below), trademark registrations are acquired on a country-by-country basis.

Most companies have a small number of primary marks and a larger number of secondary marks. Primary marks are the company’s name and perhaps the marks for the top selling products or product lines. Secondary marks include slogans and marks that are used on lesser products. With a finite budget, the better course is to register the company’s primary marks in as many countries as possible instead of registering both the primary and secondary marks in a few countries. In many cases, not all of a company’s secondary marks that are used in the U.S. will be used abroad due to cultural and language differences.
In filing internationally, the company should file first in the countries where sizeable sales are expected in the next seven to 10 years. Next, the company should register its primary marks in countries that have a reputation as a source of counterfeit goods and in well-known “pirate” countries.

The notable exception to the country-by-country filing rule for international trademark registration is European Community Trademark registration discussed in Section XIII.

Trademark protection in developing countries has limitations. Some developing countries do not have trademark protection laws. Others do not have a trademark registration system but give notice of rights by cautionary notices that are published in newspapers. In many, colors, letters, or product shapes cannot be registered. Many have other legal quirks that can prevent registration. For instance, in Brazil, only companies—not individuals—can register trademarks for automobiles. Saudi Arabia will not register marks for alcoholic beverages or pork products. In many developing countries, enforcement can be a challenge even if a registration is obtained. Some countries do not allow injunctions, while in other developing countries, corruption is so rampant that outcomes are unclear. In any case, the best strategy in developing countries is to use a well-known, reputable, local law firm to obtain whatever protection the law allows, and to register marks early in pirate countries.

3. Non-Use in Foreign Countries

Failure to use a registered mark in a foreign country for a period of years can cause a registration to become vulnerable to cancellation for non-use. Generally, a third party can file an action to cancel a registration for non-use after a period of three to five years of non-use. To make matters worse, the third party could also file a new application to register the mark at the same time. If the company’s mark is not in use, the third party would then obtain a registration for the company’s mark and be able to use it to prevent the company from using its mark in the future. This technique is sometimes used by third parties who want something (such as a distributorship) from the company. One strategy for avoiding this problem is to file new applications to register the mark before the original registration becomes vulnerable to cancellation for non-use.

E. Role of the In-house Legal Department in Selecting Marks

The in-house legal department plays a vital role in screening new marks prior to adoption. Every new trademark should be routed through the legal department for review before use. The company may choose to have the “knock-out” search done by the legal department. The mark should then be forwarded to outside counsel to conduct a full trademark search.

It is essential for in-house lawyers to educate sales and marketing department employees on the basics of trademark infringement so that employees realize that even slogans, taglines, or designs can infringe and expose the company to liability. In-house personnel should review all advertising materials including, for example, print ads, in-store displays, packaging, manuals, and the company’s website and social media postings to determine whether the company’s trademarks are being used properly and have been properly cleared.

In addition to searching, in-house counsel should not be afraid to ask marketing personnel whether a proposed mark is known to be similar to a competitor’s mark. No availability opinion
from outside counsel can shield a company from enhanced liability for willful trademark infringement where it can be shown that a mark was adopted with actual knowledge of a confusingly similar use by a third party about which the company, but not the counsel, was aware.

In addition to clearing new marks, current use of existing marks should be reviewed routinely by the in-house legal department to determine whether the marks are being used properly (see section E below).

In-house lawyers are frequently called upon to perform trademark audits to identify the trademark registrations owned by a company and the unregistered or common law marks that it uses. This is often required in connection with mergers, financing, and the acquisition of other companies. Counsel should use the following steps in an audit to obtain the most complete picture of what trademarks are owned by a company.

First, counsel should review available records. These can be in the form of paper documents, agreements, schedules, legal files, or electronic documents. Next, counsel should perform electronic database searches on available databases to determine what marks are registered by the company. For instance, the USPTO’s website allows a user to search for all federal applications and registrations owned by a particular owner or incorporating a particular set of terms. Additionally, in-house lawyers should contact outside counsel to obtain copies of their files. Intellectual property law firms frequently have docketing databases that can generate reports of all trademarks being managed by the firm for a particular client. Finally, counsel should perform an extensive review of marketing materials, advertisements, annual reports, and the company’s Internet sites to determine what unregistered and common law trademarks the company may currently be using.

F. Proper Trademark Use

Monitoring the company’s advertising and marketing materials, website, and other communications to ensure that the company’s trademarks are used properly is central to the role of the in-house legal department. Proper use of a trademark is more important than registration because a federal trademark registration cannot save a trademark that is lost due to incorrect use over time. Improper trademark use can lead to a loss of distinctiveness and association with one particular company.

Following these five rules will help protect the company’s trademarks:

1. Rule 1 – Always Use the Trademark With Its Generic Term
   - Improper use: IVORY
   - Proper use: IVORY soap

A generic term describes a type of product (e.g., SOAP) while a trademark identifies a particular brand of that product (e.g., IVORY). It is therefore improper trademark use to use the mark itself as a generic term (e.g., “hand me a KLEENEX”). Including the generic term (e.g., “hand me a KLEENEX tissue”) guards against improper use and helps prevent converting a trademark into an unprotectable generic name. This rule is not always followed, but it can be extremely important in
emerging industries, where a company’s trademark can quickly become the generic term commonly used within the industry.

Improper trademark use can lead to a loss of distinctiveness that is referred to as “genericide.” The following generic terms were trademarks in the U.S.: ASPIRIN, ESCALATOR and CELLOPHANE. Because consumers came to regard these marks as generic terms, they lost their ability to serve as indicators of a single source. In the case of the mark ESCALATOR, no generic term existed because the product was the first of its type. Where this is the case, the company must also create a generic term and use it with the mark.89

2. **Rule 2 – Never Use a Trademark in the Plural Form**
   - **Improper use:** Two BAND-AIDS
   - **Proper use:** Two BAND-AID bandages

3. **Rule 3 – Never Use a Trademark in the Possessive Form**
   - **Improper use:** CHAPSTICK’s healing properties
   - **Proper use:** CHAPSTICK lip balm’s healing properties

4. **Rule 4 – Never Use a Trademark as a Verb**
   - **Improper use:** She XEROXED the report.
   - **Proper use:** She photocopied the report.

5. **Rule 5 – Always Distinguish the Trademark from the Rest of the Text**
   - The XEROX photocopier
   - The Xerox photocopier
   - The XEROX photocopier

The federal registration symbol ® should be used only in connection with federally registered trademarks. The trademark symbol ™ can be used with any mark, including unregistered common law marks, and serves to indicate to third parties that the company views the mark as one of its trademarks.90 For service marks, sometimes the symbol SM is used in connection with unregistered marks; when registered, the ® should be used.

Because proper trademark use is so important to maintaining the company’s rights in its marks, even internal company use should be monitored to avoid misuse of the mark. The legal department also plays a central role in developing company policies regarding use of the company’s trademarks in advertising, sales communications, and on the Internet, and in ensuring that the company’s marks are used properly by outside partners.

**G. Protecting Against Infringers**
Watch services are a primary means by which companies can monitor uses of similar marks by third parties. Trademark search companies provide subscription services that monitor the U.S. Patent and Trademark Office as well as trademark offices of other countries to locate marks similar to the mark being watched. For example, when a potentially infringing mark is published for opposition, the watch service subscriber receives a notice that includes information about the owner of the potentially infringing mark and the goods and services covered by the application. Subscribers can elect to be notified of potentially infringing marks either at the point that the application is filed or at the point that the application is published. Because publication is the point at which objections can be raised in an opposition proceeding, most companies choose to be notified at the time of publication of potentially infringing marks.

Finally, the company’s own sales and marketing personnel as well as outside sales reps are valuable sources of information about potentially infringing uses by competitors. In-house counsel should facilitate communication with these personnel about potentially infringing uses by competing companies.

IV. Copyrights

A. Introduction

U.S. copyright law is derived from the U.S. Constitution, where the founding fathers provided in Article 1, section 8, clause 8, that “[t]he Congress shall have power . . . to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Congress, however, did not enact a comprehensive federal copyright law until 1909. Before then, an amalgam of individual statutes rendered copyright law relatively unwieldy. For example, registration of a work was required before its publication.

The 1909 Act granted copyright protection when proper notice was placed on the published work, and required deposit of copies with the Copyright Office. The framework of the 1909 Act still applies today to works created and published before January 1, 1978, the effective date of the 1976 Copyright Act.

The 1976 Copyright Act changed the copyright system and simplified obtaining copyright protection even further than the 1909 Act. Under the 1976 Copyright Act, copyright protection arises automatically once a work is fixed in a tangible medium of expression. It also preempts common law and state law protection for unpublished works, making copyright law entirely federal. The Copyright Act of 1976, in essence, provides the basic regulatory framework for current U.S. copyright law.

The 1976 Copyright Act did not, however, provide protection for U.S. authors whose works are used in foreign countries. Those authors had to simultaneously publish in the U.S. and in another country that had ratified an international treaty. This process for publication was cumbersome and costly. The problem, however, was remedied by the Berne Convention Implementation Act (“BCIA”) of 1988. After the BCIA, an author could easily acquire international copyright
protection when the work was fixed in a tangible medium of expression in the U.S., without any prior registration.

There have been a number of important revisions and amendments to the Copyright Act of 1976. Of particular importance are the Semiconductor Chip Protection Act of 1984, which provided design protection for semiconductor chips;\textsuperscript{92} the Sonny Bono Copyright Term Extension Act which extended the term of copyright protection for most works;\textsuperscript{93} and the Digital Millennium Copyright Act, better known as the “DMCA”,\textsuperscript{94} which created additional protections for digital works and limited certain infringement liability for on-line internet providers.

Depending upon when an author’s work was created, published, or infringed, each of the above-discussed Acts could be pertinent today in analyzing the validity and enforceability of a U.S. copyright. The law is codified in Title 17 of the United States Code.

B. Exclusive rights

The 1976 Copyright Act confers the following exclusive rights on authors in 17 U.S.C. § 106.

1. Copies

The author(s) of the copyright have the exclusive right to make copies, or to authorize the making of copies of the copyrighted work or a “phonorecord.” A phonorecord is the physical embodiment of a sound recording, e.g., a CD, cassette, or vinyl. This exclusive right to copy does not prohibit copying of non-copyrightable elements in a work. So, if an individual copies the ideas or facts behind a copyrighted work, those acts would not constitute copyright infringement.

2. Derivative Works

The copyright owner has the exclusive right to prepare and authorize others to prepare derivative works based on the copyrighted work. A derivative work is one that is based on one or more existing works and is copyrightable if it includes original authorship. Examples of derivative works include translations, editorial revisions, motion picture versions of publications, fictionalizations, and remixed sound recordings. Compilations can also be copyrightable if they contain a new authorship and, in this connection, the determination of which songs to include is deemed to meet the standards of original authorship.

3. Distribution, Performance, and Display

The copyright owner has the exclusive right to distribute, perform, or display the work. The exclusive distribution allows the author to control the sale, publication, or rental of the work, but after the first sale of the work, the new owner of the authorized copy is entitled to sell or otherwise dispose of the work.

The exclusive performance right extends to literary, musical, dramatic, and choreographic works, and to pantomimes, motion pictures, and other audiovisual works. To violate this right, the performance by an infringer of a copyrighted work must be public. In the case of sound recordings, a work is performed ‘publicly’ by means of a digital audio transmission.
The display right gives the copyright owner the exclusive right to display certain types of works. An infringing act of display must occur in public.

4. Limitations

While denominated “exclusive,” the rights of a copyright owner are subject to limitations. One is that “fair use” of a copyrighted work is not infringement. When determining if activity constitutes fair use, courts consider at least four factors:

1) The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
2) The nature of the copyrighted work;
3) The amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
4) The effect of the use upon the potential market for, or value of, the copyrighted work.95

Some examples of fair use are: quotation of short passages in a scholarly or technical work; use of a work for commentary or criticism of the work; use in a parody; summary of an article with brief quotations in a news report; reproduction of a portion of a work by a library to replace a damaged portion; reproduction by a student or teacher for purposes of teaching and/or learning; and use of a single copy of a computer program for the purposes of reverse engineering the program; and personal use of a video recording for “time shifting” purposes.

In certain situations, specific exemptions are provided to avoid incurring copyright liability. For instance, pictorial, sculptural, and graphical works are not included in the exclusive performance right. Moreover, in some cases, limited use of a copyrighted work is permissible under the concept of a “compulsory license.”

C. Protectable Subject Matter

I. Works Protected

Copyright protection applies to original works of authorship (other than those of the U.S. Government, which are not eligible for copyright protection) that are fixed in a tangible form of expression. Protected works include the following:

- **Literary works**, including computer programs and databases (with or without illustrations, published or unpublished). Examples include books, poetry, manuscripts, reports, speeches, pamphlets, brochures, textbooks, catalogs, and directories;
- **Musical works**, including any accompanying words (the original composition and arrangement, as well as modified versions having added copyrightable material);
- **Dramatic works** and any accompanying music (e.g., a play, screenplay, and radio or television scripts but not the title of a program or series of programs);
- Pantomimes and choreographic works;
- **Visual arts works**, including pictorial, graphic, and sculptural works and two-dimensional and three-dimensional works of fine, graphic, and applied art. Examples include advertisements, bumper stickers, comic strips, collages, dolls, toys, drawings, greeting cards, puzzles, photographs, posters, reproductions, and technical drawings such as blueprints, diagrams, or architectural plans;
- **Motion pictures** and other audiovisual works (including the camera work, dialogue, sounds); and
- **Sound recordings** (both the performance and the engineering or production).

2. **Originality**

In order for a copyright to exist, the work must first exhibit originality. Unlike novelty or non-obviousness in patent law, the degree of originality that must be exhibited in a work is low. For example, yellow page phone directories exhibit sufficient originality, but an alphabetical listing of names in a white pages phone directory does not. However, if the names were rearranged in accordance with some other scheme, the directory might then be afforded copyright protection. Also, even if a work includes portions copied from another source, it is considered “original” so long as its content includes some material evidencing originality.

3. **Fixation**

Another requirement for copyright is that the work must be fixed in some tangible manner in order to render the expression static and perceivable. Live broadcasts, extemporaneous speeches, or improvised music may not qualify as fixed, unless those works are captured on a recording medium or are notated. Fixation is not dependent on the work’s being directly or visually perceptible and can occur even if it is communicated with the aid of a machine or other device, such as a computer.

4. **De Minimis Works**

Copyright expressions must be of sufficient quantity to qualify to merit protection. For example, a short slogan, may be labeled *de minimis* (i.e., too short, to qualify as a copyright), but may be protectable as a trademark. The demarcation between qualifying works and *de minimis* works varies by subject matter.

5. **A Copyright Is Intangible**

Ownership of a physical object, a book or painting, containing copyrightable material is not the same as ownership of the underlying copyright. Thus, even though an object that embodies copyrightable material is transferred to another owner by legal means, no rights in the copyrightable material are conveyed.
D. What Is Not Protectable

1. Works That Are Not Fixed

Works must be fixed in a tangible form of expression for the author to be provided with copyright protection. Works that are not fixed, such as improvised speeches or performances that are not written or recorded, are not protectable under U.S. copyright law. Because they are not so fixed, and also not authored, sports games and physical fitness exercises are not protectable, even as choreographic works.97

2. Ideas vs. Expression

A copyright protects only the manner in which a work is expressed – it does not protect the ideas or concepts embodied by the work. The difference between the expression and the idea behind the expression is often complex. Various U.S. courts have devised tests for separating the idea from the expression, but the law on this issue varies greatly from court to court. Copyright protection also is not available for any “procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied.”98

3. Other Exceptions

Copyright protection cannot be used to protect facts themselves, even though an accounting or presentation of the facts in an original way is copyrightable. Similarly, blank forms are not copyrightable; however, forms containing a degree of originality, such as some insurance policies or contracts, could be afforded copyright protection. Typically, however, works that consist entirely of common information arranged in an ordinary manner and containing no original authorship are not copyrightable. Some examples are calendars, rulers, and lists or tables taken from a public document or other common source.

E. Authorship

Copyright initially and automatically vests in the “author” who creates the original expressions embodied in the work. The only requirement to be an author is to have created the original expression, and to be human.

- **Individuals as the author.** Unless the work qualifies as a “work made for hire,” the individual(s) who creates the work is the author.

- **Works made for hire.** If the work was prepared as a “work for hire,” the party for whom it was made is considered the author of the work and owner of the copyright. A work made for hire is defined as:

```
(a) a work prepared by an employee within the scope of his or her employment; or
(b) a work specially ordered or commissioned for use as:
    • a contribution to a collective work,
    • as a part of a motion picture or other audiovisual work,
```
• as a translation,
• as a supplementary work,
• as a compilation,
• as an instructional text,
• as a test,
• as an answer material for a test, or
• as an atlas, and
• if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire." 99

Here, the employer or the commissioning party is the owner of the work.

F. Joint Authorship

A work prepared by two or more authors is a joint work if it is prepared with the intention that the individual contributions be inseparable or interdependent parts of the same work. The intent of the authors is paramount. Absent evidence of intent to combine the individual contributions, each author retains the copyright for his or her individual contribution.

The copyright in a joint work applies to the work as a whole. Each author owns an undivided interest. An example of a joint work is a song having words created by one author and the music created by another. Each co-author can independently exploit the work but, contrary to the situation with respect to patents, has the duty to account to the other author(s).

G. Formalities

I. Notice

Whether a work requires notice of being protected under copyright depends on its first date of publication. For works published (i.e., distributed to the public by sale or other transfer of ownership, or by rental, lease, or lending) 100 prior to March 1, 1989, a copyright notice was required upon publication. For works published between January 1, 1978 and March 1, 1989, without a notice, the copyright can be restored so long as certain curative procedures were followed. When the U.S. joined the Berne Convention effective March 1, 1989, the mandatory use of a notice of copyright was abolished.

Placement of the copyright notice for post March 1, 1989 works is still recommended, because the presence of the notice defeats a potential defense of innocent infringement advanced in mitigation of actual or statutory damages. 101 Accordingly, the use of a copyright notice can be important. It informs the public that the work is protected by a copyright, serves to identify the copyright owner, and may identify the first year of publication. The use of the copyright notice is the responsibility of the copyright owner and not the U.S. Copyright Office.

The copyright notice has either two or three required components. The first requirement is a reference to copyright in the form of the symbol “©;” the word “Copyright” or its abbreviation “Copr.” The second requirement is the name (or an abbreviation or generally known alternative

Copyright © 2012 Dickstein Shapiro LLP & Association of Corporate Counsel
designation) of the copyright owner. The third requirement, in most instances, is the year of first publication. In the case of a phonorecord of a sound recording, the letter “P” in a circle replaces the ©; and the year of first publication is that of the sound recording itself rather than the phonorecord (the physical embodiment of the sound recording, e.g., a CD or cassette). Placement of the copyright notice on the work is also important – it must give reasonable notice of the copyright claim. A typical notice may be as follows: “©[year][owner]”. Frequently, the phrase “all rights reserved” is also included in view of non-U.S. law.

2. Registration

A common misconception is that registration is required to secure a copyright. This is not completely true. For works created after January 1, 1978, copyright arises automatically when the work is fixed in a tangible medium of expression. At any time thereafter, the copyright may be registered with the U.S. Copyright Office, but such registration is not mandatory unless a U.S. author is going to bring suit for copyright infringement (this prerequisite does not exist for foreign authored works).

It is advantageous to register a copyright within the first three months of first publication. This is because statutory damages and attorneys fees are available as remedies only if registration occurs within three months of first publication (for U.S. and foreign authored works). Otherwise, only an award of actual damages and profits are available to the copyright owner if the infringement began before registration was obtained. The registration establishes a public record of the copyright claim. Also, if registration occurs within five years of publication, the registration is prima facie evidence of the validity of the copyright and the facts stated in the copyright certificate.

Another important advantage of registration, particularly as globalization increases, is that it allows an owner of the copyright to record it with the U.S. Customs Service for protection against the importation of infringing copies.102

A registration can be obtained from the U.S. Copyright Office by: (i) depositing copies with the Office of the appropriate version of the published work;103 (ii) completing an application form; and (iii) submitting a non-refundable filing fee (currently $50.00, or $35.00 for electronic filing). Only one copy is required for unpublished works and works published outside the U.S.; otherwise, two copies are required. The U.S. Copyright Office examines only whether the work includes copyrightable subject matter and whether the legal and formal requirements have been met. Importantly, the Copyright Office does not determine the originality of the work. The Copyright Office only registers the claim for a copyright; it does not “grant” a copyright. The copyright registration is effective as of the date the Copyright Office received all three elements, regardless of how long it takes to process and issue a certificate of registration.

3. Duration

Generally, the current term of a copyright extends until 70 years after the death of the last surviving author, or in the case of works for hire and anonymous works, 95 years from publication or 120 years from creation, whichever is shorter.

4. Deposit of Copies
Separate and apart from obtaining a copyright registration, there has been, since January 1, 1978, a mandatory requirement to deposit with the Copyright Office, within three months of publication, two copies of the best edition of all copyrightable work published with a notice in the U.S. Since the abolishment of the requirement for a copyright notice as of March 1, 1989, all works are subject to mandatory deposit whether published with or without a notice. Failure to comply can result in fines and other penalties, but does not affect copyright protection.

H. International Rights

While there is no such thing as an ‘international copyright’ that can endow a person with copyright protection throughout the world, as a result of the U.S.’s membership in the Berne Convention, all works published after March 1, 1989, receive full protection in all member countries without prior registration. As soon as the post-March 1, 1989, work is created, it is effectively automatically protected worldwide under Berne. Rights in other Berne member countries can be, in some aspects, broader than the rights in the U.S. Works created prior to March 1, 1989, fall under a different convention, and must be published in a foreign country in order to secure copyright protection in that country.

I. Transfer

Ownership of copyrights can be transferred by a written instrument signed by the copyright owner. Ownership can be transferred in whole or in part, and any of the exclusive rights can be transferred and owned separately. The document transferring the right can be recorded in the U.S. Copyright Office to serve as constructive notice regarding the transfer. Recordation provides for priority in case of conflicting transfers against a third party. While the transfer of exclusive rights requires a writing signed by the copyright owner or its agent, transfer of non-exclusive rights does not require a written agreement.

J. Cost of Protection

Because copyright protection automatically attaches when a work is fixed in a tangible medium of expression, virtually no cost is associated with attaining copyright protection.

K. Enforcement

1. Infringement

To establish infringement, two elements must be shown:

1) Ownership of a valid copyright; and
2) Impermissible copying of the constituent elements of the work that are original.

Copying must be established by a preponderance of the evidence. Absent direct evidence, copying may be established by showing:
Prior to making a comparison between the two works, courts typically separate the protectable expression from the unprotectable underlying idea(s) and/or concept(s) contained in the work. The copyrighted expression identified is compared to the accused work using the so-called “ordinary observer test.” Among other things, the ordinary observer test determines whether the points of similarity exceed the points of dissimilarity.

2. Indirect Infringement

Under theories of vicarious and contributory liability, parties that are themselves not direct infringers may nonetheless be liable for facilitating copyright infringement by third parties. While the tests for indirect liability have varied widely among Circuit Courts, the Supreme Court in MGM Studios, Inc. v. Grokster clarified the existence of two forms of indirect liability: Vicarious liability which can be imposed on a party that induces another party to infringe copyright.\(^{104}\) And contributory liability which can be imposed when a party distributes a product used for infringement if the product is not capable of substantial or commercially significant noninfringing uses.\(^ {105}\)

3. Defenses

Defenses generally available to accused infringers include the following:

- **Invalidity.** The accused infringer can assert invalidity because the copyright lacks originality and the subject matter of the work is not protected under copyright law.
- **Fair use.** Fair use of a copyrighted work does not constitute infringement. It is an affirmative defense.
- **Innocent infringement.** Intent is not a factor when determining if there is infringement, since if there was copying, there is infringement. However, intent of the accused infringer is taken into account when considering damages. If the infringer was unaware that he or she was infringing, the award granted may be minimized. If a copyright notice is omitted from a protected work, and the infringer shows that he or she was misled by the lack of notice, the defendant would not incur liability prior to receiving notice that the work is registered.
- **Other defenses.** Other defenses to copyright infringement include abandonment, estoppel, laches, misuse, and other equitable defenses.

4. Remedies

The copyright owner, if successful in litigation, may be entitled to remedies in the following categories:

- **Monetary recovery.** The copyright owner can recover actual damages suffered and those profits of the infringer not included when calculating actual damages. The owner
need only prove the amount of gross revenues; the infringer has the burden of proving all legitimate deductions from that figure.

- **Statutory damages.** Statutory damages are an alternative to actual damages and profits. The range of statutory damages is from $750 to $30,000 and, if willful infringement is found, the statutory award can be raised to $150,000. These damages are only available if the infringing act occurred after the work was registered.

- **Injunctive relief.** Injunctions are available against all defendants except the U.S. Government; a successful plaintiff is usually able to receive a permanent injunction.

- **Other relief.** The court can impound and dispose of the infringing articles. If registration was effected before the infringement began or if the plaintiff received registration within three months of first publication, it can also seek the recovery of attorney’s fees. Finally, under certain circumstances, the accused infringer could be liable for a criminal offense.

### L. Computer Software

Copyright is the predominant method of protecting computer software. As a result of the Computer Software Act of 1980, computer programs are as protectable as literary works since a computer program is a set of statements or instructions that is used directly or indirectly in a computer to obtain a certain result. The program is protected by a copyright whether it is in object code form (for example, a series of zeros and ones) or in source code format (written as human readable computer instructions). Flow charts, pseudo-code, and diagrams of the program receive the same protection as the computer program itself. A computer program that is stored in the memory of a computer is fixed in a tangible medium of expression, even if storage is temporary (such as storage in a computer’s random access memory which is erased when the computer is turned off). To be eligible for copyright protection, the computer program must contain originality – simple software or databases may not qualify.

A difficult area of copyright protection for computer programs is defining the line between the protectable expression and the unprotectable idea, procedure, process, system, method of operation, concept, principle, or discovery. Copyright protection is also not available for the program logic, algorithms, or layout.

Some special rules apply to the exclusive rights of a copyrighted computer program and to what must be deposited to obtain registration. Unlike purchasers of other protected literary works, purchasers of copyrighted computer software cannot rent, lend, or lease their copies. There is also special fair use exception for purchasers of computer programs, which allows them to make a copy for its use in a machine or for archival purposes.

The deposit requirements for software programs may be satisfied by submitting one copy of a number of pages in a form that does not require the assistance of a machine or device, together with the page or equivalent unit containing the copyright notice. The number and identity of the pages varies depending on whether the program contains or does not contain trade secrets, whether the program is new or revised, and whether the deposit is made in source code or object code formats. If a user’s manual or other published documentation typically accompanies the software, this should also be included with the deposit.
The copyright notice for a computer program should be placed in as many locations within the program as possible. For example, notice can be placed at the beginning of the object code or at the end of the work, on the first screen displayed, continuously on each screen, or on a label affixed to the storage medium or on the first page of the program’s source code listing. It is important to remember that each separately published version must be separately registered to obtain the full benefits of registration.

M. Open Source Software

Though there is much variation among “open source” software programs, the unifying characteristic of these programs is that the source code – that is, the human-readable version of a computer program written in a coding language – is visible or available to some segment of the public along with the object code. The earliest open source development project is commonly referred to as the “Linux kernel,” which is a part of numerous servers and operating systems today.

Usually, the source code of open source programs is made available pursuant to the terms of a license. A programmer creates a piece of software code and licenses it to others, as with most software licensing arrangements, except that the open source license requires “downstream” users of the software – including programmers who further develop, improve, or modify it – to make the source code available in some form to downstream recipients. The terms of various open source licenses may vary widely. In some cases, the license may require only that the source code of the “original” program be made available for free, though improvements may be distributed for a price. In other cases, as with the popular “General Public License,” downstream recipients making improvements must not only disclose the source code of the original program and distribute it for free, but improvements or modifications integrated into that code must also be offered for free and a copy of their source code must be made available with the downstream distribution. Such open source licenses are often referred to as “copyleft” or “infectious.” Common open source license types are known as BSD licenses, Apache licenses, MIT licenses, Mozilla Public Licenses, and three versions of the General Public License. These, and many other types of open source licenses, may affect a downstream recipient’s ability to sell the program in improved form or sell software that interacts with open source software. Nonetheless, the capacity for collective development makes open source software indispensible to the modern software industry. In-house counsel should carefully assess whether open source software is used within their organization and then consult a specialist in the event that the organization’s commercial offerings include any open source code.

N. Software Licensing: Key Considerations

In general, when contracting to distribute or purchase software, there are a few categories of contractual provisions that are commonly negotiated in addition to the standard clauses for other commercial contracts, as outlined below.

- **License Grant.** A written agreement should explicitly define the scope of the license grant, including whether rights are transferable, sublicensable, territorial, personal, revocable, etc. In addition, a software license should specify which of the particular copyright rights are licensed or transferred – for example, whether the recipient may merely use the software personally or whether the recipient has rights to make new
copies and sell them or prepare derivative versions of the software. Representations and warranties to the effect that the provider has all necessary rights to distribute the software as contemplated by the agreement also are typically included.

- **Payments.** Typically software is licensed for a lump sum payment, which can be made at once or periodically. In some cases, where a recipient will be modifying or reselling software, the parties may share revenue from the sale of combined software. Alternately, a party may choose to simply pay a developer to build software for it, or a party may contract to access or use software for a per-instance fee.

- **Indemnities.** Generally, the party providing the software will offer an indemnity against IP infringement to the purchaser. The parties may either carve out of this indemnity or include a cross-indemnity for any modifications to the software by the recipient or infringement arising solely from the recipient’s use.

- **Warranty, Limitation of Liability.** Most software is licensed with a limited warranty that the software will operate in material compliance with its written specifications. Some licensors only offer the software on an “AS IS” basis, but this practice is increasingly discouraged. Unless a co-development relationship is contemplated or the developer lacks substantial bargaining power, it is common for a software developer to expressly limit its liability for third party claims to the fees actually paid for the software over a set period, usually the last twelve months.

If software will pass over US borders, general counsel may also wish to consult a specialist regarding applicable export control provisions.

In general, entities should avoid accessing software through “clickwrap” licenses, as the terms of such licenses are generally very unfavorable to recipients and may impose unreasonable potential liability upon the recipient with little or no recourse from the developer.

### O. Other Sources of Information About Copyrights

The Copyright Office provides a free electronic mailing list which issues periodic messages on copyright-related items of interest.108

The Copyright Office also has numerous circulars on topics discussed in this Section. Of interest, and which can be obtained from the web site www.copyright.gov, are:

- Circular 3 Copyright Notice
- Circular 7d Mandatory Deposit of Copies or Phonorecords for the Library of Congress
- Circular 9 Works Made for Hire Under the 1976 Copyright Act
- Circular 12 Recordation of Transfers and Other Documents
- Circular 14 Copyright Registration for Derivative Works
- Circular 15a Duration of Copyright
- Circular 31 Ideas, Methods, or Systems
- Circular 32 Blank Forms and Other Works Not Protected by Copyright
V. Trade Secrets

A. Introduction

In today’s global market and because of the proliferation of technology in the workplace, protecting trade secrets is often critical and of the highest priority for many companies. The potential benefits and risk exposure relating to trade secrets cannot be overstated. Numerous legal and business considerations will affect a company’s decision as to how to protect its valuable information and technology. Choosing the wrong protection or failing to properly protect company-trade secrets may have dire consequences and is often irreversible.

B. Definition of Trade Secrets

The area of trade secret law, originally grounded in common law, is now defined in several statutes and secondary sources. The Uniform Trade Secrets Act (“UTSA”), first promulgated in the 1979 National Conference of Commissioners on Uniform State Laws, is a codification of trade secret common law. The UTSA has been adopted with slight variations in 47 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.109

Unlike patent and copyright laws, which have statutorily-defined categories of eligible subject matter, the definition of a trade secret is much broader. The UTSA defines a trade secret as:

- Information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
• Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
• Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.\textsuperscript{110}

Prior to the UTSA, the Restatement of Torts § 757, comment b (1939) was the most authoritative summary of the common law of trade secrets. Virtually all jurisdictions commonly cite the Restatement, comment b, which eschews an exact definition of a trade secret and provides six factors courts should consider in identifying whether a trade secret exists:

1) The extent to which information is known outside claimant’s business;
2) The extent to which information is known by employees and others inside the business;
3) The extent of secrecy measures;
4) The value of the information to the business and competitors;
5) The amount of effort or money expended in developing the information; and
6) The ease or difficulty with which the information could be properly acquired or duplicated by others.\textsuperscript{111}

While the Restatement of Torts and the UTSA provide seemingly detailed trade secret definitions, jurisdictions have interpreted the language differently. For some jurisdictions, whether or not certain corporate information is considered a trade secret is a question of fact.

1. Subject Matter

While the UTSA definition has been adopted in all but three states, a number have taken the liberty to expand the definition by statute or case law. For instance, Oregon law expands the scope of trade secret protection to include drawings, cost data, and customer lists;\textsuperscript{112} California law includes within the scope of protectable trade secrets negative information, such as what information is not listed on a document or which steps not to take in a method or process.\textsuperscript{113} In other words, lessons learned from the trial and error process can qualify as trade secrets. Some courts have also expanded the definition and stated that “no category of information is excluded from protection as a trade secret because of its inherent qualities.”\textsuperscript{114} However, an employee’s general skills and talents gained through his or her employment are not generally considered protectable, and can be restricted only through terms of a non-compete agreement. Similarly, while customer lists can be trade secrets in many states, some courts have held that former employees may use contact information for customers that they have worked with for long periods and whose information they have memorized. Additionally, a “trade secret” is defined in numerous statutes such as the Economic Espionage Act.\textsuperscript{115}

2. Economic Value

While much information is capable of becoming a trade secret, only information that provides actual or potential economic value to its owner can achieve trade secret status. This requirement is
logical, yet probably unnecessary. Protecting information costs money. The cost of protecting a trade secret is circumstantial evidence as to its value.\textsuperscript{116} It is unlikely that a company would spend the amount of money required to meet the reasonable secrecy burden if the trade secret was of no value to the company. Further, if the trade secret was of no value, a company would be unlikely to pursue litigation for its misappropriation, as litigation is costly and, in most cases, it would be difficult to meet the damages requirement.

3. **Not Generally Known or Readily Ascertainable**

If a company’s “secret” provides it with economic value, it can be a trade secret so long as the information is not generally known or readily ascertainable in the relevant industry. Matters of public knowledge or general knowledge in an industry may not be claimed by an industry member as its trade secret. However, where information is in the public domain, but it is rather obscure and its application not readily ascertainable to an industry, the trade secret status will not be defeated.\textsuperscript{117} Further, even if information is generally known in one industry, it can still be protected as a trade secret when applied to another industry.\textsuperscript{118}

Trade secrets are not “generally known” in an industry simply because some competitors use the same information. In fact, more than one company can concurrently claim the same information as a trade secret, so long as the companies did not use improper means to obtain it.

4. **Subject to Reasonable Secrecy Measures**

Even if a company’s secret is not generally known or readily ascertainable in its respective industry, a company must demonstrate that it used reasonable measures to protect the secret. Clearly, absolute secrecy is not required; otherwise, a business could not make use of its information. A company must only use measures reasonably calculated to protect its trade secrets.

Whether secrecy measures are reasonable depends on various factors such as the extent of disclosure required to adequately utilize the trade secret, the extent to which information is disclosed to others and their relationship to the owner, and the measures taken to protect the secret information. Typically, trade secret information is protected using confidentiality agreements and limited disclosure only where necessary. However, physical barriers and restricted access also should be used to protect trade secrets that can be gleaned by passersby. Courts do not expect companies to use excessive or extremely expensive measures to protect their information;\textsuperscript{119} however, accidental disclosure through carelessness has destroyed protection in some cases.

C. **Why Use Trade Secret Protection?**

There are many cases where trade secret protection offers the best (or only) means to protect your company’s proprietary information.

First, trade secret protection lasts for as long as the information meets the definition of a trade secret. As long as the information is not generally known or readily accessible and is still subject to reasonable protective measures, the trade secret can be protected indefinitely. By contrast, patent rights are granted for only 20 years from the date of filing. The company most notable for taking advantage of a trade secret’s unlimited duration is the Coca-Cola Corporation. There is an
ingredient in Coke called “7X” that has been protected as a trade secret for decades. If Coca-Cola had patented the ingredient, it would have had to disclose the ingredient in the patent application, and after the patent expired, anyone could legally have copied the Coke formula.

Second, sometimes trade secret law is the only option for protecting company information and certain processes and/or technologies. Patents can be obtained only on discoveries that are new, useful, and non-obvious. For example, customer lists are not patentable. Likewise, copyright protection may not cover painstakingly compiled factual information because it lacks the requisite originality.

Third, even in industries where patent protection is the norm (like biotechnology, pharmaceutical, and medical devices), trade secrets continue to play a vital role in protecting various aspects of the company’s research and development, manufacturing, and sales and marketing of patented products.

D. Misappropriation of Trade Secrets

I. Definition of Misappropriation

If a company chooses to protect its information or technology using trade secret law, the company will have a claim for misappropriation if the information is being used unlawfully by a competitor. The UTSA defines misappropriation of trade secrets as:

- Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means.
- Disclosure or use of a trade secret of another without express or implied consent by a person who either:
  - Used improper means to acquire knowledge of the trade secret; or
  - At the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was derived from or through a person who had utilized improper means to acquire it, was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use, or was derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or
  - Before a material change of his position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

One can be liable for misappropriation either by acquiring the trade secret or by disclosing it. The act is defined in this way to expand liability to not only the actor that discloses the information (i.e., the faithless former employee), but also to the company that hires such employee and benefits from the stolen trade secret. Therefore, when a company hires new employees, it needs to consider protecting its own trade secrets, as well as protecting itself from liability for misappropriation of others’ trade secrets.
Trade secret protection does not prevent the use of information obtained independently by others or through reverse engineering. Reverse engineering is where a competitor analyzes the public, finished product to determine the product’s components or process used to make the product. It is generally not illegal for a competitor to use reverse engineering to discover trade secret information.

2. Remedies for Misappropriation

Plaintiffs may recover a variety of damages in a suit for trade secret misappropriation. In addition to unjust enrichment and compensatory damages, including a reasonable royalty where appropriate, plaintiffs can obtain injunctive relief against actual or threatened misappropriation of trade secrets. Further, in states that have adopted the UTSA, courts may grant treble damages for willful and malicious misappropriation as well as attorney’s fees to the trade secret owner. While a range of damages can be recovered for misappropriation, the plaintiff has the burden to establish the existence of a trade secret and that reasonable secrecy measures were employed to protect that secret.

E. Protecting Your Trade Secrets

Why is it important to protect your trade secrets? In a case of misappropriation of your trade secret, a court will first establish that the misappropriated information is in fact a trade secret (i.e., not generally known in the industry and protectable subject matter). However, the court’s decision is often based on the extent to which the company used reasonable measures to protect its information. In trade secret law especially, the law helps those who help themselves. Therefore, it is important to protect your proprietary information to ensure that it is upheld as a trade secret in the event of any misappropriation.

1. Reasonable Secrecy Measures

Before you can begin employing the correct strategies to protect your corporate trade secrets, you must identify the information to be protected and take stock of the current methods used to protect this information. This should be accomplished by identifying the information, people through whom the information passes, and its flow within the organization. This process will help identify any security concerns and heighten employee awareness of the need for confidentiality.

2. Coping with Advancements in Technology

Over the past two decades, the Internet and rapidly advancing technology have created new burdens for trade secret protection. The two main areas of concern are employees’ access to technology – such as email, texting, and thumb drives – and company web pages. With respect to the first concern, access to technology can be addressed through use of a corporate technology policy. A technology policy can buttress a company’s reasonable secrecy measures in a claim for misappropriation and, as a practical matter, can heighten employee awareness about corporate confidentiality.
With respect to the second concern, company web pages also have been a source of inadvertent trade secret disclosure. In many cases, companies post customer and distributor information, product information, and information about key employees. This information can be trade secret information itself, or it can help your competitors uncover your trade secrets. For example, information about a company’s suppliers or recently-hired employees can provide clues to competitors as to the company’s latest developments. Therefore, companies should review their web pages and consider the effect of placing the information out in the public domain.

F. Practical Necessities for Implementing an Internal Trade Secret Protection Program

Many individuals are privy to trade secret information and technology. Obviously, high-level employees that work with or develop the trade secret must be subject to confidentiality obligations. Less obvious, however, are the consultants, customers, licensees, and administrative staff that can destroy a trade secret through inadvertent or intentional disclosure. Therefore, company policies must be in place to prevent these disclosures beforehand and to support a misappropriation case in such event.

1. Non-Disclosure/Confidentiality Agreements

At the commencement of employment, new hires should be required to sign confidentiality agreements. These agreements should specify that the company has trade secrets and confidential information that it considers proprietary. Further, the agreement must require the employee to keep such information confidential and agree not to share the information, without the employer’s consent, with non-employee third parties or employees who do not need the information. The duration of any confidentiality agreement should begin at signing and extend indefinitely, even beyond the employee’s departure.

2. Identification and Marking of Trade Secrets

An employee is only required to protect information/technology that he or she knows needs to be protected. Taking the position that everything discussed and disclosed in the business relationship is confidential is not realistic and is unlikely to pass muster with any U.S. court. Therefore, the company must identify, with as much particularity as possible, what specific information or categories of information are the company’s trade secrets. The company should then implement a policy that all hardcopy and electronic documents, including without limitation, lab notebooks, drawings, sketches, notes and presentations, that contain the company’s confidential information must be marked by employees as “Company Confidential.”

3. Technology Policy

Along with a confidentiality agreement, employees should be required to sign an acknowledgment of a company technology policy. The technology policy should put the employee on notice that sending company information in personal e-mail is prohibited, the company claims ownership in the e-mail, voicemail, and network systems and all information transferred through the systems, and employees are prohibited from transferring via thumb drive or sending confidential
information to a non-employer e-mail address without obtaining prior approval. A technology policy has the effect of warning employees of the dangers of e-mail and other technology usage while also providing another means to support the existence of reasonable secrecy measures.

4. Physical Security Measures

Many companies are requiring their employees to remove all work papers from their desks at night or, in some cases, place highly confidential documents in locked filing cabinets. The concern with papers strewn about one’s desk is that it gives visitors, both internal and external, an opportunity to browse through the documents. If trade secret information were to be disclosed under these circumstances, it is possible that a court might not find use of reasonable secrecy measures to protect the trade secret. To a lesser degree, there is a risk of corporate espionage where competitors may hire cleaning crews to obtain confidential information after hours.

Other physical security measures to protect trade secret information include restricting access to information and certain physical areas (limiting access to employees having a need-to-know), having regular document destruction, posting signs where proprietary (i.e., manufacturing) processes are performed, and keeping visitors away from secured locations.

5. Prior Review of Company Publications

Similar to the guidance provided in Section II above for protection of patent rights, pre-publication review of company disclosures is an important precaution for protecting trade secret rights. Publications by the company, whether marketing materials, advertisements, trade show handouts and displays, articles published by employees, SEC filings, Internet site postings, product packaging and labeling, or otherwise, could contain an inadvertent disclosure of a trade secret that could adversely affect the company’s trade secret rights in that information or technology. Rules concerning disclosure vary by country. Therefore, the company should have a protocol in place to have materials reviewed before publication. A formalized “approval to publish” procedure is advisable.

6. Exit Interview Checklist

Every time an employee terminates his or her relationship with a company, for whatever reason, the company should conduct a comprehensive exit interview. The purpose of the exit interview is to determine what information the employee had access to, to obtain all proprietary company materials, and to remind the employee of the confidentiality agreement he or she signed and that the agreement extends beyond his or her employment. Departing employees should be required to confirm in writing that: (1) all confidential materials have been returned; and (2) all confidentiality obligations will continue post-employment. Exit interviews should be documented and followed by letters to the former employees, reminding them of their obligations.

7. Post-Departure Investigation

When an employee leaves the company, access to the company’s materials, network, and email system should be immediately terminated. In addition, the departed employee’s computer
system, company email, phone records, PBX reports, pager records, travel records, and building access history should be stored in case the company becomes aware of possible trade secret misappropriation. Where there is reasonable suspicion, a company should conduct an investigation after the employee departs. The investigation should include interviews with company employees as well as the vendors/contractors who worked with the departed employee. It is important to conduct the post-departure investigation immediately following the employee’s departure so as to prevent destruction of any requisite evidence for a misappropriation claim.

G. Protecting Trade Secrets in Third Party Relationships

Third party relationships are often integral to a company’s success. Therefore, as with employee practices, it is important to take adequate measures to protect you company’s trade secrets in relationships with third parties (e.g., vendors, professional service providers, and collaborators. Protective measures to implement include:

■ Execute an agreement to protect company trade secrets that is appropriately tailored to the purpose of the business relationship.
■ Clearly identify and define what information and technology constitutes the company’s trade secret information that will be disclosed during the course of the relationship.
■ Require each party to mark trade secret information as “Confidential.”
■ Clearly define the purpose of trade secret disclosures and appropriately limit their use and disclosure to what is required for the purpose of the agreement.
■ Disclose only what is required for the purpose of the agreement.
■ Document all exchanges of information, internal work performed, and oral exchanges of information.
■ Consider contracting for the right to pre-publication review of third party’s patent applications and public disclosures to ensure no company trade secret information is included in such disclosures.
■ Diligently monitor third party’s publications for potential misappropriation.
■ Train internal team regarding scope of information to disclose and marking obligations.

VI. Intellectual Property Enforcement By The International Trade Commission

A. What Is the International Trade Commission?

The International Trade Commission (“ITC” or “Commission”) is an independent, non-partisan quasi-judicial federal agency. The objective of the ITC is to exclude products from being imported into the United States where they unfairly compete with a domestic industry. Because of the exclusionary relief that it can provide and the speed at which the procedure operates, the ITC has
recently become a fairly popular forum for enforcing IP rights when infringing products are being imported into the United States.

Among other things, the ITC has jurisdiction to administer 19 U.S.C. § 1337 (“Section 337”). In relevant part, Section 337 provides that “the following are unlawful, and when found by the Commission to exist shall be dealt with . . . [t]he importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that” infringe a valid and enforceable patent, registered trademark or registered copyright.

Section 337 investigations are presided over by the Commission’s administrative law judges (ALJs), who hear the cases without any jury. The ALJs function much like district court judges; they are generally stricter in holding parties to the rules and the required time periods and deadlines. Each ALJ has a set of Ground Rules, which function much like local rules in district courts. When an investigation is instituted, the chief ALJ assigns the investigation to an ALJ. Soon thereafter, the presiding ALJ issues a protective order and his or her Ground Rules. Often, the presiding ALJ will ask the parties to submit a joint (or separate, if the parties cannot agree) proposed procedural schedule. The procedural schedule sets the dates for all of the events in the investigation.

B. What Remedies are Available at the ITC?

The ITC can issue two types of remedial orders: exclusion orders and cease and desist orders.\textsuperscript{127} Exclusion orders prohibit items from entry into the United States and can either be general or limited. Limited exclusion orders exclude products found to violate Section 337 that are imported by named respondents in the investigation. General exclusion orders exclude an entire class of products that are found to violate Section 337 from entry into the United States, regardless of who is importing the products. Cease and desist orders typically direct respondents to stop selling or transferring products found to have violated Section 337.

Obtaining an exclusion order and a cease and desist order against a party can effectively remove that party from the marketplace. Additionally, exclusion orders are enforced by U.S. Customs and Border Protection (“Customs”). Therefore, if a complainant at the ITC wins an exclusion order, it does not have to enforce that order itself, although the complainant is often actively involved in working in conjunction with Customs. If a complainant discovers importation of additional infringing goods after the imposition of an exclusion order and a cease and desist order, the complainant can then bring an enforcement proceeding at the ITC.

I. Exclusion Orders

After the ITC’s investigation is final, it is authorized to direct that the articles concerned in the investigation be excluded from entry into the United States. The ITC may also decline to issue an exclusion order if, “after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry.”\textsuperscript{128} After the ITC makes a decision regarding an exclusion order, the ITC notifies the Secretary of the Treasury and directs that the articles be excluded.\textsuperscript{129}
The Secretary of the Treasury has, in turn, delegated enforcement to Customs and Border Protection.\textsuperscript{130}

In order to issue a general exclusion order, the ITC must determine that: “(A) a general exclusion from entry of articles is necessary to prevent circumvention of an exclusion order limited to products of named persons; or (B) there is a pattern of violation of this section and it is difficult to identify the source of infringing products.”\textsuperscript{131} Meeting this burden is potentially difficult, because many complainants find it difficult to identify all parties that are involved in the importation of products that infringe a complainant’s intellectual property. However, a general exclusion is a good option, for example, if a complainant is seeing a multitude of different infringing goods from a myriad of sources and as soon as the complainant tracks down one importer, that one goes out of business or relocates and another appears.

2. Cease and Desist Orders

Cease and desist orders are available in addition to or in lieu of exclusion orders. Cease and desist orders can be issued against any person violating Section 337 or believed to be violating Section 337. A cease and desist order may direct such person to cease and desist from engaging in unfair methods or acts violating Section 337. The most common use of cease and desist orders is to prohibit respondents from selling or transferring any inventory they may already have in the United States. Without a cease and desist order, it would be possible for respondents or proposed respondents to import a substantial inventory of accused products and thereby avoid the impact of an exclusion order.

3. Preliminary Relief

The ITC also is authorized to issue temporary exclusion orders or cease and desist orders during the pendency of an investigation.\textsuperscript{132} If a complainant files a petition seeking temporary orders, the ITC is to make a determination with regard to that petition by no later than the 90th day after the date on which the Commission’s notice of investigation is published in the Federal Register. If the Commission designates the investigation as being more complicated, it may extend the 90-day period by an additional 60 days.\textsuperscript{133} The ITC may require that a complainant post a bond as a condition of the ITC’s issuing temporary orders.\textsuperscript{134} The ITC “may grant preliminary relief . . . to the same extent as preliminary injunctions and temporary restraining orders may be granted under the Federal Rules of Civil Procedure.”\textsuperscript{135}

4. Presidential Review Period

Before exclusion orders or cease and desist orders can be issued by the ITC, the ITC must publish its determination in the Federal Register and send its determination to the President.\textsuperscript{136} The President then has 60 days to disapprove the determination for policy reasons. The President rarely, if ever, disapproves the ITC’s determinations.

C. What Is a Domestic Industry?

The ITC has the power to prohibit unlawful practices in import trade, if the complainant meets the following criteria:
[O]nly if an industry in the United States, relating to the articles protected by the patent, copyright, trademark, mask work, or design concerned, exists or is in the process of being established.

... an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, mask work, or design concerned—(A) significant investment in plant and equipment; (B) significant employment of labor or capital; or (C) substantial investment in its exploitation, including engineering, research and development, or licensing. 137

This requirement is called the “domestic industry requirement” and can be broken down into two requirements: the economic prong and the technical prong. The economic prong requires a complainant to demonstrate that it made a significant investment in plant and equipment, a significant employment of labor or capital, or a substantial investment in the asserted patent(s)’ exploitation, including research, development, or licensing. The technical prong requires a complainant to demonstrate that its products practice the asserted patents. A technical prong analysis is essentially an inquiry into whether the domestic industry products infringe the asserted patent. 138 “In establishing a domestic industry under [part (C) above], the complainant does not need to show that it or one of its licensees is practicing a patent-in-suit. The complainant must, however, receive revenue, e.g., royalty payments, from its licensing activities.” 139

The domestic industry requirement is designed “to prevent the ITC from becoming a forum for resolving disputes brought by foreign complainants whose only connection with the United States is ownership of a U.S. patent.” 140

D. How Does a Party File a Complaint?

The process of filing a complaint at the ITC is typically more detailed than a district court complaint. Generally an ITC complaint must:

- Be sworn under oath and signed by the complainant or its authorized officer, attorney, or agent,
- Include detailed facts laying out the alleged unfair acts committed by the proposed respondents, describe the specific instances of alleged unlawful importations or sales, and include Harmonized Tariff Schedule numbers for those importations,
- State the name, address, and nature of the business of each proposed respondents,
- Include information on and a summary of any prior court or agency proceedings relating to the asserted intellectual property,
- Include a detailed description of the domestic industry the complainant is relying upon. 141

For patent-based complaints, the complaint must include:

- The identification of each asserted patent and a certified copy of each asserted patent,
The identification of the ownership of each asserted patent, along with a certified copy of each assignment of each patent,

The identification of each licensee under each asserted patent,

A copy of each license agreement under each asserted patent that the complainant intends to rely upon to establish standing or to support its domestic industry contentions,

When known, a list of each foreign patent, each foreign patent application (not already issued) and each foreign patent application that has been denied, abandoned or withdrawn corresponding to each asserted patent,

A showing that each proposed respondent has violated Section 337, including, when practicable, a chart that applies each asserted independent claim of each asserted patent to a representative accused product,

A showing that a domestic industry exists, including, when practicable, a chart that applies an exemplary claim of each asserted patent to a representative involved domestic article,

Drawings, photographs, or other visual representations of both the involved domestic article or process and the accused product.\footnote{142}

One certified copy of the prosecution history for each asserted patent plus three additional copies of each prosecution history, and

Four copies of each patent and applicable pages of each technical reference mentioned in each prosecution history.\footnote{143}

For trademark, copyright, mask work, or vessel hull design complaints, the complaint must include the identification of each licensee of the asserted intellectual property right and a copy of each license agreement that the complainant intends to rely upon to establish standing or to support its domestic industry contentions.\footnote{144} There are additional requirements for what must be submitted for each specific type of complaint involving a trademark, copyright, mask work, or vessel hull design.\footnote{145}

Because of the strict pleading requirements for ITC complaints, almost all complainants take advantage of the pre-filing review services offered by the Office of Unfair Import Investigations (OUII). OUII will review a complainant’s draft complaint and the underlying support for the complaint in advance of filing. This process typically takes one to three weeks. OUII also is the fact that OUII is the office that advises the ITC on whether or not to institute an investigation.

Once a complaint is filed, the ITC has 30 days in which to decide whether to institute that complaint.\footnote{146} The ITC almost always institutes the investigation; although at times the ITC has required a complainant to submit additional information in support of the complaint before the investigation will be instituted.

\section*{E. What Are Discovery and a Hearing Like at the ITC?}

Discovery at the ITC works much like it does in a “rocket docket” district court, with shorten time periods for responses to discovery requests. Discovery at the ITC is typically completed within six
months of the institution of the investigation; if the case is considered to be fairly complicated, this may be extended so that discovery is completed in eight or nine months from initiation. The ALJs have recently begun to limit the number of some forms of discovery (such as interrogatories or requests for admission) in their Ground Rules. The ITC is also beginning to focus on curbing potential electronic discovery abuses.

Enforcement of third party discovery requests at the ITC is somewhat different than at district courts. The ITC has nationwide subpoena power. However, if a third party refuses to produce the requested information, the ITC has to then go to the United States District Court for the District of Columbia in order to enforce the subpoena.

More and more frequently, the ALJs are requiring written witness statements in lieu of live direct testimony. These witness statements are for witnesses from whom a party is planning to offer direct testimony and are often in question and answer format. Some ALJs believe that written witness statements save time at the hearing and lead to more focused cross examinations.

Many hearings last only four to five business days, while some may stretch to two weeks. All parties participate in questioning at the hearing, including OUII. Most ALJs require that respondents coordinate at the hearing to the extent possible.

Post-hearing procedures are also different at the ITC than in the district courts. There is extensive post-hearing briefing at the ITC. Each party submits a post-hearing brief, typically two to three weeks after the hearing. Many ALJs also require the parties to submit proposed findings of fact and conclusions of law. After the initial round of post-hearing briefs and proposed findings of fact and conclusions of law, most ALJs permit each party to file post-hearing reply briefs, and responses to the other parties’ proposed findings of fact and conclusions of law.

The ALJ will then take anywhere from a few weeks to a couple of months to issue his or her initial determination. The date for the ALJ’s initial determination will be set in the procedural schedule governing the investigation. The initial determinations are extremely detailed and can be hundreds of pages in length. Most ALJs will rule on every issue properly presented to him/her. For example, even if an ALJ finds that there is no domestic industry, he or she will often go on to address the infringement and validity of the asserted patents.

Once the Commission has issued its decision, if that decision includes an exclusion order or a cease and desist order, it goes to the President for the Presidential review period; after that review, the decision can be appealed to the Federal Circuit. If the Commission’s decision does not include an exclusion order or cease and desist order or if the Presidential review period has expired, then the parties may appeal the Commission’s decision to the Federal Circuit. The Commission may then defend its decision in the Federal Circuit.

F. How Is Customs Involved in Section 337?

Once an exclusion order issues, representatives from Customs and Border Protection’s Intellectual Property Rights (IPR) office will often contact complainant’s counsel to set up a meeting to discuss the scope of the exclusion order. A complainant’s counsel is well-served to cooperate with Customs to help it understand the exclusion order, as the IPR office writes instructions that are used by agents at the ports to assist in deciding whether or not to exclude goods. Additionally,
Customs encourages intellectual property owners to create “Product Identification Guides” to help Customs understand what patented goods are made or sponsored by the intellectual property owner and what should be excluded.  

VII. Creating a Corporate IP Protection Plan That Makes Sense from Both Legal and Business Perspectives

Intellectual property was and continues to be a significant factor in the growth of the United States economy since the Industrial Revolution. The significance is increasing even more so as technology advances at an increasingly rapid pace. Without the protection afforded by this country’s IP laws, the incentive to invest in research and development and to commit at-risk capital and resources in new business enterprises would falter.

The continued effectiveness of the U.S. IP system – patents, trade secrets, trademarks, and copyrights – depends not only on the sound administration of the relevant laws, but also on the skill and dedication of the thousands of IP counsel – in private practice and in corporate IP departments – who represent the interests of inventors, developers, manufacturers, and marketers in new products and services. With the USPTO annually receiving hundreds of thousands of patent and trademark registration applications, the task of obtaining valid IP assets and protecting them against infringement is a challenging one. Congress and the Supreme Court are shifting law once-settled for decades. Patent and trademark applications must be prepared with greater care than ever before. Thorough prior art, freedom-to-operate, and trademark availability searches are more necessary now because of the increased risk of conflicting patent and trademark rights among competitors. The trend toward more foreign sales, licensing, and manufacturing poses new problems for IP attorneys who were once concerned mainly with protecting their clients’ rights in the United States. New procedures for electronic filing and access to patent applications at the USPTO require IP attorneys to constantly update filing and docketing practices.

Given the huge sums being invested in research, development, and marketing, and the prospects of enormous financial benefits to companies that choose to enforce or license their IP rights – not to mention the ever-growing need to avoid liability to owners of valid IP assets – it is not surprising that corporate managers are giving increased attention to the function of IP departments within their organizations. This Section is intended to help the ACC’s members reassess and improve their methods of handling IP work. This section explores the types of corporate resources and various organizational structures available for carrying out the IP function, and reports on how companies are exploiting new opportunities. The goal? Achieving an operational “critical mass” that is well-positioned to fulfill the company’s short and long-term business objectives.

A. Identifying Internal Company Resources for Creating an IP Protection Plan
The major non-administrative job functions of in-house IP counsel are searching, filing, licensing, and assuming responsibility for enforcing and defending patents, proprietary information, and trademarks. The effective pursuit of these functions requires a cooperative working relationship between in-house IP counsel and the company’s research, development, production, marketing, and general legal departments.

- **Searching** – When one presents a potentially patentable invention or a new name for a product or service, companies normally make a preliminary “prior art” or trademark “availability” search. The searches can be conducted in the files of the USPTO or on-line to determine the likelihood that the invention can be validly patented or that the trademark can be registered. Simultaneously, or subsequently, a “freedom-to-operate” search is usually performed before an invention or trademark is commercialized, in order to determine if doing so would conflict with the IP rights of third parties. If a question of infringement arises after a patent is obtained or a trademark is registered, it is then customary to determine whether the patent or registered trademark, if asserted against unauthorized users, is likely to hold up in court or whether a licensing arrangement should be considered.

- **Filing** – Once the feasibility of obtaining a valid patent or trademark registration is determined, an application is filed in the USPTO and, in due course, may be filed in other countries as well. To support a successful patent application, the company’s IP counsel will usually call upon inventor(s) to furnish or identify sources of relevant information and data such as original sketches, laboratory notebooks, engineering drawings and specifications, and, in some cases, samples, models, or prototypes of the inventions.

- **Licensing** – IP counsel are usually called upon to negotiate the granting of licenses to, and the acquisition of licenses from, other companies, as appropriate. This may be done to avoid receiving -- or the assertion of -- an infringement claim or to take advantage of an improvement not developed by the company. In some instances, companies trade licenses to improve operations in both companies. This is typically called “cross-licensing.”

- **Litigation** – While it is essential to protect IP assets against infringement, it is equally important to defend the company against claims of infringement. Much time and effort goes into the gathering of evidence, the securing of witnesses, and, if necessary, the preparation of cases for trial. The advent of e-discovery as a litigation tool under recently-revised Federal Rules of Civil Procedure has enormously increased the challenges and costs of discovery.

**I. Where IP Work Is Performed**

Most large industrial firms employ in-house IP counsel. Because of the nature of their businesses, some companies use outside IP counsel only on an as-needed basis. Companies that have in-house IP counsel usually also rely on outside counsel for special services such as furnishing opinions of counsel on IP matters, trial work and dispute resolution, and the procurement of foreign patents and trademarks.
Companies that have in-house IP counsel usually place the IP function in one of three basic organizational positions. For example, some believe that IP work can be done most efficiently within the framework of the company’s general law department. Others, preferring the closest possible relationship between those engaged in patent work and those engaged in inventions, locate the function in the research or engineering divisions. Still others have established separate IP departments that report to a member of senior management.

a. **Factors Affecting Location of IP In-House Counsel**

Differences in the location of a company’s in-house IP work mainly stem from the relative importance that a company places on the legal – as opposed to the scientific and technical – aspects of IP in-house counsel’s job functions. A company should consider its size, its over-all organizational structure, and the nature of its business as the principal factors in determining whether a technical or a legal orientation would be best suited for the location of IP in-house counsel.

There is also a difference of opinion as to whether IP work should be centralized or decentralized, but most favor a single, centralized unit. When the number of IP in-house counsel is not large and the product areas with which they are associated are not unduly complex, reporting to the legal department may provide better control. However, in situations where the research areas are broad and of a highly technical nature, it may be more appropriate to have IP in-house counsel located in closer proximity to divisional management to facilitate communications.

b. **Location Within the Legal Department**

Some companies locate their in-house IP counsel within the general law department. Especially where in-house IP counsel are relatively few in number, they are likely to be positioned as regular members of the general law department.

In companies where the number of in-house IP counsel is relatively large, they are usually organized as a separate section or department of the legal division. The law department and the IP section or department constitutes the legal division headed by the company’s general counsel, to whom the head of the IP section or department normally reports.

Overall supervision of the IP function by the general counsel is appropriate when needed to centralize control of the company’s overall IP and related general law portfolios. Such control contributes to efficiency through coordination of IP and other legal work, permits better use of the entire law staff, and encourages proper execution of corporate policy matters. Intellectual property matters frequently impact larger policy questions, and some executives hold that a broader view can be taken if IP work is done by in-house counsel working in the law department. Because of the high general law content of some IP matters, the close proximity of the two legal groups also makes it less necessary for patent counsel to become a legal “jack of all trades.” When separated from general counsel, patent counsel will at times try to solve general legal problems and can gravitate toward giving general legal advice to the departments they serve.

Affiliation with the general law department also helps ensure that in-house IP counsel will maintain an objective viewpoint such that their advocacy as lawyers is focused on the company’s benefit as a whole rather than on a particular researcher or division.
Some companies want their in-house IP counsel to be organizationally independent of those who make the inventions in order to ensure that the attorneys can exercise independent judgment. For example, there is a considerable advantage in having in-house IP counsel make independent appraisals of the advisability of filing an application for a patent or trademark registration. Such independence is facilitated by having in-house IP counsel as members of the legal department.

Associating with other corporate lawyers also benefits in-house IP counsel professionally; the interchange of ideas between IP attorneys and general counsel increases the knowledge of both. They will tend to maintain more of an “attorney-at-law” approach to the company’s IP problems rather than viewing themselves as technicians. This fosters proper relations between the company’s in-house IP counsel and its scientists and engineers. Conversely, general counsel (and management) can garner a sharper understanding of IP issues impacting broader corporate strategy.

c. Centered in the Research or Engineering Department

Some companies locate their patent attorneys in the research laboratory or engineering building to facilitate their accessibility to scientists and engineers and vice versa. Such close contact is believed to bring about desirable work relationships between attorneys and inventors. From a supervision standpoint, it is also advantageous to have in-house patent counsel report to an executive familiar with the engineering and research aspects of the company’s business.

Some companies choose not to locate their patent functions in their research and engineering departments. These companies believe that such placement would require members of the patent staff to work under and be directly responsible to their principal “clients.” Such a relationship might deter members of the patent staff from exercising independent professional judgment in matters where objectivity and independent thought is essential.

To avoid liaison problems, companies that locate the patent function in the research or engineering unit generally emphasize, usually through job function descriptions, the importance of a good working relationship between in-house IP counsel and general legal counsel. This approach is considered essential because it is difficult to completely partition IP and general law work. IP matters such as trademarks, copyrights, litigation, and licensing typically involve general law problems. Litigation is often handled or managed by the company’s general counsel rather than by the patent counsel. In some companies that have patent departments, trademarks and copyrights are also handled by the general law department.

For the most part, companies that have general law departments but who locate patent counsel in research or engineering divisions obtain cooperation between the two without formal arrangements. For example, in-house IP counsel may at times be engaged in contract, tax, or other matters not directly related to research and development (R&D). In such instances, he or she reports directly to the party concerned, keeping the vice president of R&D advised. An arrangement that may be especially satisfactory is to have an experienced IP attorney in the legal department who acts as a liaison with the patent department located in the research division. In that way, the general counsel can be kept up-to-date on all significant developments such as patent derivation and other important proceedings in the USPTO.

d. Reporting to Senior Management
In-house IP counsel may have a place in the organization that is independent of both the Research and Development (R&D) and legal departments. Such counsel report directly to general management. Some companies locate their in-house IP counsel both at headquarters and in their divisions. In others, in-house IP counsel are located in the divisions only and report to divisional general managers.

e. Liaison with Other Departments

Where in-house IP counsel is organizationally independent of the R&D and legal departments, the liaison with these units can be straightforward and uncomplicated. Cooperation is facilitated by having both general counsel and IP groups report to the same corporate officer. Contact between patent attorneys and R&D personnel appears to be satisfactory where the former report to members of the company’s senior management, while at the same time having a “dotted line” relationship with the Head of R&D.

f. Advantages of Supervision by Senior Management

The major advantages of placing the IP department under the direct supervision of members of top management is that it provides for the efficient communication to keep management informed to enable strategic IP business decisions and control of the IP function. The senior management executive to whom in-house IP counsel reports can also help in solidifying the cooperation of other departments. Strategy and policy decisions are frequently required in IP work. In such cases, direct contact with senior management is necessary and is most easily achieved when provided for by the normal reporting arrangements. At the same time, such close interaction ensures that all important IP matters are brought directly to the attention of senior management.

2. Organization and Allocation of Responsibilities Within an IP Department

The typical corporate IP department is managed by a Chief IP Counsel, assisted by one or more associate IP counsel. Each associate IP counsel is responsible for directly supervising a number of staff attorney “assistant IP counsel.” The department is usually organized somewhat along the lines of a law firm, with partners and associates, as well as clients, who are the company’s various business teams and research groups. As in most law firms, each individual member of the department’s professional staff retains responsibilities for matters on his or her docket on a continuing basis.

One primary function of this “group” structure is to provide a means of supervising and monitoring the flow of patent application preparation and prosecution. The group leader allocates work within his or her group, in some instances assigning an individual full responsibility for a technical area, and in others assigning work in an area to several professionals in order to broaden their experience and provide depth of staffing. Some overlap can occur between professionals in different groups working for one business or research team because of efforts to assign specific work to individuals best qualified to handle it and because the technical content of the work of each laboratory group varies with time.

For work other than patent solicitation, the group system need not be as rigid. Particularly for litigation and major license agreements, the chief IP counsel allocates work on the basis of workload and individual capabilities. Nevertheless, group leaders must be kept apprised of their
subordinates’ work in all areas in order to oversee the work of the relevant business team and laboratory managers, and to provide some degree of backup.

For the average-size company, this would seem to be a workable system. That is, the IP department is not so small that it admits of no internal structure, nor so large as to warrant rigid compartmentalization. However, there should be: (1) a bias in favor of allocating all work within the scope of each group’s segment of the company to members of that group; (2) an effort to define and explain how the group structure is intended to operate; and (3) an effort to communicate to the group leaders and all concerned the reasons for not adhering to group lines in particular instances.

Paramount here is recognition of what motivates and rewards sound professional work in the IP department. Unlike a law firm, where there are no rigid limitations on the number of partners and an individual’s potential for increased financial and professional reward is primarily limited only by his capabilities, the corporate pyramid restricts upward mobility within a company. Hence, the corporate professional must look in greater measure to the promise of more challenging work and increased independence as a reward. Inescapably, for most corporate professionals, responsibility for litigation, licensing, and other major work is seen as a reward and the lack of it as a penalty. Guidelines for allocation of this type of work should be clear, and departures from them explained. Failure to do so is detrimental to morale. This does not materially limit management’s ability to distribute work as they see fit, but it merely places upon them the burden of explanation.

B. Key Personnel for Achieving “Critical Mass” Within an IP Department

The role of in-house IP counsel is an important function within the company, and in-house IP counsel’s job functions should be appropriate to the structure of the organization, to the skill sets of the individuals involved, and to the specific IP problems with which they are most frequently confronted.

The in-house patent attorney who files and prosecutes U.S. patent applications is usually the person best qualified to work with foreign patent counsel in obtaining protection in other countries. It is rare for in-house patent attorneys, even those who specialize in international work, to be best suited for putting the applications into the proper form for filing in the patent offices of the various foreign countries. Such work is best left for the attorneys in foreign countries. The same holds true for trademark protection.

I. Assignment of IP Functions

a. Duties of Chief IP Counsel

The chief IP counsel should be responsible for the overall direction of the company’s IP activities, including the filing of applications, the acquisition, disposition, and licensing of patents and trademarks, handling infringement matters, and developing and maintaining contacts with relevant government agencies, customers, professional associations, and outside IP counsel.
In addition, the chief IP counsel generally has other duties and responsibilities related to the overall administration of the company’s IP operation. The following is a representative list of the chief IP counsel’s duties:

- Plan, coordinate, and direct the overall IP program of the company, including policies, practices, and procedures.
- Screen inventions with the help of other departments and render opinions as to the patentability of new products and processes.
- Serve as a point of contact for outside inventors and counsel.
- Establish procedures concerning employee agreements relating to the disclosure and ownership of inventions.
- Arrange for the exchange of information between the company’s domestic and foreign in-house IP operations.
- Maintain contact with the company’s general counsel.
- Participate with the company’s accountants in the administration of royalty payments.
- Develop and maintain intelligence on patents of particular interest, including the IP assets of other companies, particularly the competition.
- Establish and oversee the company’s IP law library.
- Evaluate and assure compliance with IP policies of industrial organizations or government agencies with which the company is involved.

In addition to these direct responsibilities, the chief IP counsel assumes a functional responsibility to advise, inform, and assist other departments that become involved in patent, licensing, and trademark matters.

b. Participants in Foreign IP Procurement

Foreign IP procurement is almost always handled by non-U.S. law firms specializing in such matters. Some companies use a combination of foreign law firms and resident patent attorneys/agents in foreign countries where it has affiliates who are able to support such functions.

The allocation of responsibility for deciding whether or not to file for a foreign patent varies among companies. In some instances, the decision is left to the company’s staff patent counsel in consultation with the executive in charge of overseas operations. In other cases, it is left to each domestic or overseas division affected by the patent.

c. Participants in Trademark Protection

Responsibility for domestic trademark protection is generally assigned to in-house IP counsel. Foreign trademark protection is usually assigned to specialized outside counsel, often the same firm that handles the company’s patent work in those countries. However, there are some exceptions to these assignments of responsibility, due in part to the close association of trademark activities with marketing.
The association of trademarks with the marketing function often influences the assignment of trademark work within a company. Sales subsidiaries often employ their own legal counsel whose duties invariably include trademark protection. Patent matters are usually handled by the parent company as discussed above.

d. Participants in IP Licensing

Corporate sales and manufacturing executives often initiate the creation of licensing arrangements, including preliminary negotiations. Final negotiations are generally the responsibility of senior management, in-house IP counsel, or the general law department. In some small, specialized industrial products companies, patent licensing will often be the responsibility of the president, with the concurrence of the company’s chairman.

Regardless of who negotiates the license agreement, the company’s legal counsel should enter the picture at an early stage. Counsel’s role can range from merely advising the negotiator to assisting in or even conducting the actual negotiations. In-house IP counsel should also draft the license agreement and providing legal guidance in licensing matters. Occasionally, however, the company will assign the task to the general law department. Resident outside licensing specialists may be called on as needed, especially regarding foreign licenses.

e. Participants in Inter Partes USPTO Proceedings and Litigation

Patent and trademark infringement lawsuits and post grant controversies before the USPTO are generally the responsibility of in-house IP counsel, but senior management may step in when the matter is of sufficient importance.

Companies sometimes look to the senior management for settlement of IP controversies and litigations, after receiving recommendations from counsel and the management of manufacturing and engineering.

2. IP Committees

Patent and trademark committees are often used, especially in large companies, to help shape the company’s IP policies and to review and evaluate possible courses of action. These are usually standing committees that meet regularly. In some instances, particularly in smaller companies, IP committees, if they exist at all, may meet on an ad hoc basis to discuss issues as they arise. The most common arrangement for carrying out IP committee operations is a single committee that considers both domestic and overseas patent and trademark matters. Other arrangements include:

- Two corporate committees, one for patents, the other for trademarks.
- A corporate IP committee plus a subcommittee in each division or research center.
- Divisional IP committees with no corporate committees.

a. Membership

Membership in corporate groups that help shape IP policies and review pending projects include such executives as the chief IP counsel and the various vice presidents for R&D and marketing.
In some instances, the divisional managers are included as members of corporate IP committees. When both domestic and international IP matters fall within the committees’ jurisdiction, the head of the international division should be a committee member. In addition, staff members of departments involved in a particular patent project are usually called on to attend committee meetings.

Corporate IP committees are, in some instances, geared to a slightly lower level of management with the same departments represented as noted above. For example, a company may have two corporate patent committees. One, called “Invention Committee,” includes representatives of research, marketing, patents, and the chemical division. They are at the level of assistant director or department heads. The second committee, “Foreign Filing and Maintenance,” includes representatives of the same departments but one notch lower in rank. This committee also has a representative from the international division.

Patent committees located at research centers or divisions include such members as:

- Member of patent department serving the divisions.
- Division manager or his or her representative.
- Head of the research center or his or her representative.
- Representative from production.

b. Activities

The most common IP committee activity is screening and evaluating proposed and pending patent and trademark applications. Other activities include:

- Shaping overall patent policies.
- Recommending to senior management the handling of policy questions presented by the IP department.
- Establishing guidelines on licensing, third party conflicts, and settlement problems.
- Setting the terms and conditions under which licenses will be offered to other companies.
- Evaluating strategies and impact of compliance with IP policies of industrial organizations and government agencies.
- Prescribing methods to identify infringers and to take steps for licensing or collection of damages.
- Determining business justification for seeking and maintaining domestic and foreign patents and trademarks.
- Approving or disapproving the maintenance of pending patents and applications.
- Determining awards for worthwhile employee patent suggestions.
- Reviewing domestic patent applications for possible foreign filings.
C. Internal Marketing of Corporate IP Legal Services

I. Awards to Employee Inventors

Most companies have adopted systems for rewarding employee-inventors. “Suggestion system” awards accomplish a similar result in other companies. Invention awards programs are generally made available to all regular employees should they have a patentable idea. However, the members of research and engineering staffs are usually the principal beneficiaries.

a. Cash Awards

The basic reason for not awarding employees-inventors for their efforts is that ideas and inventions are generally part of their jobs and recognition should come in the form of salary increases and promotions. Rights in all inventions made by employees are usually assigned to the company as a condition of continued employment. Some companies preclude cash awards to employee-inventors as a matter of policy.

There are other reasons for not paying cash awards to company inventors. One is that not all valuable ideas are patentable. Ideas that may result in innovation range from obviously un-patentable ideas to those that the company tries to protect as much as possible. The value of these ideas, however, may have no relation to their patentability.

Another reason for the reluctance of many companies to grant cash awards for inventions is that it is difficult to distribute them fairly. Most successful enterprises are the result of a team effort and it would be difficult to allocate credit without injustice. Furthermore, since, for the most part, projects are assigned to individuals, cash awards for successful outcomes could depend more on the assignments than on the skill of the individual, and such awards can engender ill will among the company’s employees.

For the most part, cash awards are token payments that are not to be construed as placing a value on the idea or patent. Rather, they are intended primarily to encourage inventors to bring their ideas to the attention of management.

b. Fixed Awards

Companies that pay cash awards for employee inventions often grant fixed amounts ranging from $100 to $5,000. Occasionally the payment is in the form of savings bonds or shares of stock.

Payments are usually made in installments – part on filing of the application and the balance on issuance of the patent.

c. Variable Awards

Some companies that reward inventors make awards according to an estimate of the invention’s worth.

d. Payments for Patents or Licenses Sold
Some companies that grant no immediate cash reward for filing or issuance of a patent pay the inventor if the patent is sold or licensed to another company. A company’s award program may also provide that when an employee’s patent is combined with other patents to form a product or process, any income from licensing or sale is placed in a fund and the company determines each inventor’s share.

**e. Alternatives to Cash Awards**

Companies that grant no cash awards to employee-inventors have in some instances found other ways to recognize the employee’s contribution. For example, a company may present an inventor, on assignment of patent, with a silver dollar embedded in a plastic presentation piece. A company may employ a series of publicity releases and congratulatory letters from top management designed to accord public recognition to employee-inventors.

A company can take special pains to recognize employees to whom patents are issued. For example, at a management club meeting, color slides can be shown of all persons who received patents during the previous fiscal year together with the products to which the patents pertain. They also can receive recognition in the company newspaper or on an annually updated commemorative plaque.

**2. Keep Senior Executives Informed**

Most companies provide senior management with IP reports, usually on a regular (monthly or quarterly) basis, on the status of pending IP matters. In some instances, periodic reports are supplemented by an annual summary of IP activities.

Other companies have no planned schedule of IP reports to management because there is relatively little activity or because IP specialists are a part of the management group and report items of significance as they occur. For example, senior management can be informed of general patent progress through periodic luncheon meetings with in-house IP counsel.

Anticipation of senior management’s interest, and IP counsel’s judgment of which IP information can assist management in achieving strategic business goals, governs the topics included in most IP reports. Senior executives often note that their chief concern is to be advised of any IP problem that involves company policy, that requires a decision on their part, or that bears on the strength of the company’s IP position with regard to both current and projected processes and products.

Specific kinds of information about IP that should be reported to the senior management include:

- The extent to which products of the company are protected by United States or foreign patents.
- The extent to which company products may be dominated by patents of another company.
- The degree of patent protection obtained or obtainable with respect to projected products or operations.
- Facts regarding threatened infringement litigation against the company.
- Cases of infringements of company patents.
The status of any actual patent litigation or inter partes proceedings involving key patents involving the company.

Patent reports to senior management also may include:

- Significant data on patents issued to other companies in fields related to the company’s line of business.
- Important changes in patent or trademark laws.
- Lists of licenses that are extended to other companies.
- The impact of the company’s participation in industry organizations on IP rights of the company and other companies.
- Progress of important patent and trademark applications.
- Summaries of ideas presented to the company for patent consideration and analyses of their value.
- Analyses of the strength of competitive patents and trademarks.
- A listing of patent expiration dates.

3. Keep Technical Personnel Informed

Analyses of patents issued to other companies in similar lines of business is the most common type of information supplied to technical personnel by IP in-house counsel. In addition, some companies keep their technical staff advised on other companies’ new methods or products that might lead to patentable ideas. It goes without saying that companies should provide their technical staffs with overall guidance on the importance of patents, requirements for patentability, and the role played by the patent department.

a. Official Gazette; The USPTO Web Site

The Official Gazette, a weekly publication of the USPTO now available only on-line at www.uspto.gov, is a principal source of information regarding new U.S. patents. Abstract services for patents issued in foreign countries provide similar information, for companies that are interested. Some patent departments scan each issue, marking the inventions that will be of special interest to their own technical personnel and then distribute them to research and production people concerned with patents.

Newsletters covering topics of interest to technical personnel are often a good way to “get the word out” about the role of IP in-house counsel in the company. To provide this sort of guidance, in-house IP counsel sometimes attend relevant industrial shows and trade fairs in order to observe competitors’ products and designs. The IP department also subscribes to information services that disseminate information on new products, materials, and techniques to industry.

Companies should hold periodic meetings to brief technical personnel on significant patent developments.
b. Patent Information Booklets

Some companies prepare special booklets to alert technical employees to the significance of patents and to inform them of the records and processes involved in securing patent protection. These booklets are written in general terms and are not intended to be a substitute for procedural guides and instructions. For example, these booklets inform technical personnel what kinds of inventions may be patentable, what information is needed to obtain a patent, the steps involved in securing a patent, and the roles played by both inventor and patent counsel. The booklet may explain how R&D personnel and the patent department can cooperate to protect company inventions. The booklet achieves another benefit if readers then supply the IP attorney with completed invention disclosure forms.

c. Liaison with Inventors

Members of the IP staff keep in touch with invention progress by holding frequent visits with members of the research staff who are working on potentially patentable developments. In addition, members of the patent staff keep up on invention progress by sitting in on research meetings or by attending committee meetings of technical and production personnel. When invention activity is sizable, each member of the patent staff is generally assigned to serve as a liaison with a particular research group. Personal contacts are considered to be the best means of maintaining an ongoing dialogue between geographically separate patent and research staffs. Patent counsel are therefore urged to make frequent visits to the production and research centers they serve. Letters, e-mails, and phone calls also help to maintain contact between visits. Some companies also encourage their inventors to visit the patent department or to phone whenever they have a question or need assistance or advice.

The most common liaison problem encountered by patent counsel is getting inventors to keep an adequate log of an invention’s development and accumulate the supporting data necessary for the filing of a patent application. It is important to develop an appreciation of the nature of potentially patentable inventions and of the need to maintain records relative to inventions. As might be expected, this problem varies considerably with the individual inventor and also with the extent to which the particular attorney is successful in educating the inventors about the necessity of providing adequate disclosures.

There are other problems that some companies encounter in maintaining a satisfactory liaison between inventors and patent counsel. These include:

- Maintaining contact with inventors outside the major research units.
- Finding time to make frequent trips to geographically scattered production and research centers.
- Finding suitable people to do liaison work and maintaining their interest.
- Maintaining a follow-up during the late stages of development program.
- Getting employees whose inventions are incidental to their regular work to acquaint the patent department with potentially patentable inventions.
- Preventing premature public disclosures until a patent application can be filed.
Avoiding the premature public disclosure of a potential patent is particularly difficult for some companies, particularly when the item represents a potential commercial product. Engineers and sales people generally like to submit new products to selected customers for evaluation with the expectation of making further improvements before freezing the design. Once this is accomplished, the marketing division is naturally anxious to get the product on the market. While companies are still allowed a limited one year grace period under the IAI following the first publication or public use in which to file an application in the United States, there is no such grace period in many other countries. See Section II. Therefore, the first patent application must be filed prior to any disclosure anywhere if a valid world-wide patent portfolio is to be obtained.

VIII. Benefits of an IP Protection Program

The economic value of many companies is derived almost exclusively from intellectual property. Start-up companies in the information technology sector are based entirely on intellectual assets, for example, database searching or social media. In the biotechnology and pharmaceutical sectors, the ability to leverage patent protection for drugs and other products is critical for attracting investment dollars and supporting research and development programs. Protecting IP assets is an essential part of any business plan and should be actively managed, just as an entity manages its real property, equipment, and its human resources. Active management of intellectual property is no longer an option, it is a necessity.

An active IP protection program provides multiple benefits. Establishing IP development as a key goal creates an atmosphere of innovation. Employees seek out new ideas and solutions and have the tools necessary to preserve and protect them.

Active IP protection programs help companies manage and track ongoing technical developments and guide investment in R&D projects. In addition, awareness of competitor’s IP is heightened, which stimulates further innovation and development and helps steer future IP strategies. Active IP protection programs allow companies to be proactive rather than merely defensive when confronted with new IP issues.

Trained employees will approach potential collaborations with due care to ensure that valuable IP is not destroyed or lost. Lack of IP education and awareness can lead to inadvertent disclosure or accepting terms in agreements that place a company’s valuable IP and R&D investments at risk.

Recent changes to IP law through the America Invents Act (AIA) have a significant impact on IP strategies. For example, as of March 16, 2013, the United States joins the majority of countries in being a “first-to-file” jurisdiction. Staying informed regarding a company’s technical developments and public disclosures will be even more critical than in the past. And additional procedures for challenging patents will require companies to adjust their patent prosecution and litigation strategies, to maximize the value of the IP assets.

Advances in social media and the now internet require companies to monitor online activity even more closely with respect to protecting their copyrights and trademarks as online users download content, create derivative works, and use company logos and other materials. All of this change is
not surprising, given the underlying changes in the world economy wrought by the digital revolution, free trade policy and agreements, the export of manufacturing, and the movement to service economies in the developed nations. The law, especially intellectual property law, must change to reflect this, and business and similar entities must change their policies and practices to accommodate it. An ongoing IP protection program is critical to help entities predict and prepare for the changes that affect their intellectual property.

As explained in the prior Sections, the basic right of a patent is the right to exclude others from making, using, selling, offering to sell, or importing products or processes embodying a company’s invention. The basic right of a trademark is to prevent others from using a confusingly similar mark. The basic right of a copyright is to prevent unauthorized copying by others. These exclusionary rights (i.e., the ability to protect a market niche against competitors), obtained by way of an effective IP protection program, can be of immense value to a company.

Intellectual Property can serve as an important cross-licensing “trading card” in litigation. The best response to the filing of a patent infringement action by a competitor is sometimes the filing of solid counterclaims against that competitor for patent infringement. Of course, the ability of a company to respond in this manner depends to a large degree on the depth of its patent portfolio. Indeed, for this reason, having a solid patent portfolio will often act as a deterrent to the filing of a patent infringement action (most companies will evaluate the likelihood of patent infringement counterclaims before filing suit or even charging a competitor with infringement).

Intellectual Property can also function as an important revenue source. Traditionally, licensing fees were charged, but were considered to be of secondary importance. Texas Instruments began to change this approach some years ago by looking at its patent portfolio as a vehicle for generating significant revenue that would flow to the bottom line of the company. Building on the Texas Instruments model, other companies, such as IBM, Rockwell, Dow Chemical, and Procter & Gamble actively license their patents for the purpose of generating additional revenue. Today, revenues from licensing programs, litigation, and settlements relating to U.S. patents are well over $100 billion. In one year alone, IBM received approximately $2 billion from patent licensing.

In 2012, Microsoft purchased patents from AOL for $1 billion and sold 650 patents to Facebook for $550 million. Google acquired Motorola Mobility, including 24,500 patents, for $12.5 billion in large part for the value of Motorola’s IP.

To at least a handful of U.S. companies each year, patent licensing revenue make the difference between ending the fiscal year “in the black” rather than “in the red.” Universities and other educational or research entities are aggressively licensing their intellectual property as well, with recent aggregate revenues measured in the billions per year.

The efforts by many companies to licensing have expanded into areas beyond patents. Many companies have recognized that licensing of trademarks can help in increasing the recognition of the company’s brand names as well as generating substantial revenues. Chrysler, for example, is believed to have received more than $300 million from licensing of the JEEP trademark.

Intellectual Property also constitutes an important “asset” for smaller companies seeking potential investors or seeking to position itself for a successful IPO. A company with an exciting new technology that is protected by a block of patents is obviously much more desirable to an outsider than a company that has no discrete protection. Many venture capital firms look for patent filings and expect that a portion of their investment will be spent on IP development.
A strong IP protection program includes actively monitoring the IP rights of others, and taking steps to avoid trespassing on those rights. Obviously, avoiding even one patent infringement lawsuit can result in major cost savings. Moreover, as a consequence of staying “informed,” i.e., periodically reviewing the newly patented or patent pending technology of competitors, engineers and scientists within the company may be spurred to innovate. It is not at all unusual for a company’s “design around” product to function better (or be less expensive) than the patented design – indeed, this is one of the purposes of a patent system. Finally, obtaining the advice of patent counsel that a company’s product does not infringe a competitor’s patent can be useful in avoiding a determination of “willful” infringement, which can result in a trebling of damages and an award of attorney fees.

A well-structured and effective IP protection program can also greatly benefit company morale. Engineers and scientists appreciate not only the additional compensation that they receive from an IP reward program, but also take pride in receiving patents. Employees are naturally more inclined to develop and document inventions in a company that demonstrably recognizes the importance of protecting its employees’ innovations. The result can have a snowball effect – as employees see their innovations contributing to the success of their company (and receive recognition in this regard from the company), they are spurred to develop more patentable inventions.

IX. Cost Analysis of an IP Protection Program

Developing, implementing, and maintaining an intellectual property protection program is a significant undertaking, requiring a commitment of human, temporal, and monetary resources. How can corporate counsel identify and project the cost of developing a program to protect IP, and what can be done to minimize those costs?

The costs of an IP Protection Program include internal costs, legal costs, and enforcement costs.

A. Internal Costs

The internal costs of an IP protection program include management time, technical/engineer time, secretarial time, record keeping, and the costs of a reward program.

At least one corporate officer, such as a corporate VP, must actively participate in the IP program. From the start, the corporate officer should work with legal counsel (whether in-house or outside counsel) in developing the IP program. Once the IP program is in place, the corporate officer can reasonably expect to spend at least about ten to twenty hours per month on IP, primarily making decisions on IP protection and strategy based upon recommendations supplied by legal counsel, attending quarterly IP review sessions, presenting awards or other incentives to employees, and similar duties.

A manager in each technical division or section of the company must also be actively involved in the IP program. This involvement consists of working directly with engineers and scientists to identify inventions to be protected and infringement issues to be evaluated, and communicating
with IP counsel and corporate management. Each section IP manager can be expected to devote at least about four to eight hours of time each week to this task.

Engineers and scientists must be trained in basic intellectual property legal issues and, once trained, should ordinarily expect to spend an average of at least about four to eight hours per week recording inventions in laboratory notebooks, preparing invention disclosures, and assisting IP counsel in the preparation and prosecution of patent applications, and attending to other IP issues.

Of course, if a company becomes involved in IP litigation, the time demands on corporate personnel at all levels escalate significantly, particularly during the discovery and trial phases. Indeed, diversion of corporate resources is usually a major consideration in deciding whether to litigate a matter. However, if you are sued, your control over costs and time will be substantially less than if you were a plaintiff in a case.

Internal legal and record keeping costs also constitute a large cost component. Larger corporations typically have one or more IP attorneys on staff, along with secretaries and paralegals. In smaller companies without an IP legal staff, the general counsel of the company will likely spend at least a portion of his or her workweek on IP matters. Record keeping, either internally or through a vendor, is necessary to insure timely and proper fee payment, including Patent and Trademark Office fees.

Incentive awards and bonuses form another cost component of maintaining an IP Program.

B. External Costs

The legal fees charged by outside IP counsel typically constitute the largest external cost of an IP protection program. Large companies often look to a number of outside firms for assistance with their IP legal work, often hiring separate firms to handle IP prosecution and IP litigation. Rather than shopping for the least expensive firm, most companies set budgets to control external IP legal costs. For example, companies often set limits on fees that they will pay for the preparation of a patent application or the preparation and filing of an amendment in connection with a pending patent application. Retainer agreements in which outside IP counsel agree to charge a set amount per month for a defined list of legal services (usually excluding litigation) provide the greatest degree of certainty and predictability.

Government fees, and disbursements incurred by outside legal counsel, comprise the second largest external cost of an IP protection program. To control expenses, consider limiting IP filings in foreign countries, the page length of patent applications, and the number of claims, all of which can be tremendously expensive (due to translation costs and the required assistance of foreign legal firms) and may add only marginal value to the IP portfolio.

The USPTO charges a series of escalating maintenance fees at three spaced times during the life of a patent. Other countries charge a yearly maintenance fee or annuity, which sometimes commences while the application is pending and before the patent issues. If any such fee is not paid, the patent or application lapses. The cost relating to these annuities typically increases as the patent gets older. A determination should be made every year about whether the cost of maintaining the patent or application for another year is warranted. Also, attention should be given to the number of claims in a patent application because the USPTO charges fees for each
independent claim above three and total claims in excess of twenty, and some foreign countries also base the annuity fees on the number of claims in the issued patent.

C. Impact of the AIA

The Leahy-Smith America Invents Act (“the AIA”), enacted on September 26, 2011, will undoubtedly have a profound impact on the cost of maintaining an IP program. The AIA imposed an immediate 15 percent increase on most patent-related fees, and shifted fee-setting authority to the Director of the USPTO, indicating that the Director set fees at a level that will raise enough revenue to cover the USPTO’s estimated costs associated with providing patent and trademark services.

Under the AIA, the USPTO implemented prioritized examination for utility and plant patent applications, with a goal to provide a final disposition within twelve months, on average, of prioritized status being granted. Prioritized examination is available at the time of filing an original utility (including a continuation or divisional application) or plant application (Track I) under 35 U.S.C. 111(a), and is currently limited to 10,000 per year. A single request for prioritized examination may be granted for a request for continued examination (RCE) in a plant or utility application. The current fee for a Track I prioritized application is $4800.00 ($2,400 for small entities), in addition to all the conventional governmental filing fees.

As explained in Section II, supra, the AIA also provided for the creation of several new types of proceedings for challenging a patent’s validity within the USPTO. Defending patent validity in these post-grant proceedings will impact the cost of an IP Program. While the party challenging the patent must pay the filing fee for the proceeding, the patentee may incur significant legal fees defending its patent. Although fees charged by outside IP counsel will vary depending on factors such as the type of post-grant proceeding and the complexity of the case, the costs are likely to be significant. Accordingly, companies must be sure to consider the costs of defending their patents in USPTO post-grant proceedings when budgeting for their IP Program.

D. IP Enforcement Costs

An IP portfolio developed by an effective IP protection program is useful only if the IP is respected by competitors. One sure way to gain respect is to vigorously enforce IP rights. Most companies outwardly state that they do so. Obviously, however, true respect is earned by those who not only police their IP and threaten competitors, but those who litigate and win (or those who are sued and win). The key word is “win.”

IP litigation is extremely expensive – according to a 2011 report published by the American Intellectual Property Law Association, the median cost of a patent infringement litigation with between $1 million and $25 million at risk is $1.5 million through the end of discovery and $2.5 million through trial. Keep in mind that IP litigation not only has external costs, but also internal costs in terms of diversion of resources. The internal cost of IP litigation was mentioned above, but bears repeating. Expect the litigation to consume multiple days, not hours, of corporate time involved in collecting information and documents responsive to discovery requests, preparing for and attending depositions, and participating in strategic and settlement discussions.

For more ACC InfoPAKs, please visit http://www.acc.com/infopaks
But make no mistake about it, IP litigation is closely followed by those in the industry and bestows huge rewards upon the victor in terms of respect from competitors, particularly the small company with limited resources that stands up to the big company and prevails.

E. Tracking and Controlling IP Costs

Tracking and controlling external IP costs is fairly straightforward. Prepare a budget based upon the criteria and considerations noted above, and enforce it.

Tracking internal IP costs is more difficult, since those costs are comprised primarily of employee time. Ask for feedback from division managers: How much time is IP actually “costing” the division in terms of time? What tasks are taking the most time?

Consider using one or more of the many commercially available software programs to track corporate IP and to allow employees to research patents and obtain copies quickly and easily. The web site of the USPTO, http://www.uspto.gov, includes access to a fully searchable database of all published pending and issued U.S. patents and trademarks. Images of published applications and issued patents worldwide can be downloaded quickly and easily using a free program called GetIPDL, accessible at http://www.GetIPDL.net/en.

In summary, developing and maintaining an effective IP protection program is not inexpensive. However, many costs attributable to IP are identifiable and controllable using the guidelines set forth above. The key is to create a program that is efficient and easy to use. The benefits of such a program are discussed supra in Section VIII.

X. Timeline for Creating a Corporate IP Protection Program

A. Formulating a Realistic Schedule for Organizing and Implementing a Corporate IP Protection Program

One of the challenges facing a company that is seeking to establish an internal structure for addressing its IP needs and concerns for the first time is to decide on the appropriate sequence or schedule of requirements that need to be satisfied. In this Section, we have formulated such a schedule into a series of three overall phases: (i) identifying the types of IP services required by the corporation in light of its business activities and foreseeable needs; (ii) recruiting an appropriate in-house staff to carry out these IP functions; and (iii) assessing the need for, and obtaining, the appropriate support services and docketing system.

1. Identifying the IP Services Required

For the average enterprise that does research and development on new products and processes, at least the following in-house IP services will need to be provided:
■ Ensure that employees or consultants who work in research and development areas are contractually obligated to assign any inventions and copyrightable works.

■ Ensure that employees or consultants who have access to any proprietary information and know-how execute non-disclosure agreements.

■ Create a recordkeeping procedure to document and evaluate inventions that are made by the company’s employees so that patent applications can be filed as soon as possible because patents applied for on or after March 16, 2013 will be awarded to the first-to-file.

■ Implement a procedure for evaluating such inventions to determine their level of economic importance and the need to file patent applications.

■ Organize patent solicitation workflow procedures, including preparation, filing, and prosecution of patent applications in the United States and in foreign countries; keeping in mind that the United States is moving to a first to file system, meaning that patent protection may only be obtained on an invention if the company files before anyone else who may have come up with the same invention.

■ Establish policies for dealing with unsolicited invention disclosures from outside the company.

■ Establish procedures and schedules for monitoring and paying patent maintenance fees and annuities in the various domestic and foreign patent offices.

■ Create a portfolio of the company’s current trademarks and service marks; institute a program for registering and maintaining such marks in the United States and abroad.

■ Create a portfolio of the company’s copyrights.

■ Establish procedures for protecting the company’s trademarks and copyrights including on the company’s website, ensuring that other entities are not infringing this intellectual property, and protecting the company’s right to damages by marking its products with appropriate patent numbers.

■ Establish internal IP committees to meet periodically to determine necessary actions in patent, trademark, copyright, and trade secret matters.

a. Recruitment and Staffing Policies

The company’s personnel department should establish a procedure for recruiting to fill vacancies in the IP department. Initially, the company should recruit an experienced IP practitioner who is experienced with the IP challenges the company faces, to serve as chief internal IP counsel.

One of the chief IP counsel’s initial tasks should be to recruit an appropriate number of individuals to staff the company’s IP department. The company should recruit law school graduates with one or two years of either law firm or corporate IP training. Higher-level positions within the IP department (but below that of chief patent counsel) should be filled by recruiting experienced lateral hires.

b. Support Services/Docketing
An important factor in the efficient operation of an IP department is the quality of its docketing system and relevant support personnel. An appropriate docketing system can be selected from currently available software and, if necessary, modified to accommodate the company’s needs. However, in doing so, the chief patent counsel should carefully evaluate the suitability of such a system by conferring with a knowledgeable software consultant and with his counterparts in other companies who have had experience with the same software. Once a docketing system is selected, the company’s personnel department should assist the chief patent counsel in recruiting the appropriate number of qualified personnel to operate the system and ensure proper function.

B. Monthly Checklists of Actions to Be Taken

After an IP program is formulated, it is important to implement it as expeditiously as possible within the time frame set by the company’s management.

1. Identifying the “Milestones” and Setting Priorities

It is important that the various steps needed to create a properly functioning IP department be taken on in a proper sequence. One way of doing this is to establish a set of milestones for the items to be set in motion and the amount of time needed to do so. It is suggested that the sequence of IP services listed in Part A.1, above, be used as the template for identifying these milestones.

2. Allocating Time Frames

One of the more challenging aspects of establishing an IP protection program is deciding the amount of time needed to complete each step successfully before proceeding to the next phase. This should be the primary responsibility of the chief patent counsel who, by virtue of his experience in the field, is in the best position to decide how much time each step will require, which may also be dependent on the financial and other resources available to him through the company.

XI. Corporate Utilization of Internal vs. External Legal Resources

A. Pros and Cons of Doing IP Work In-House Versus Working with Outside Law Firms

1. Reasons for Retaining Outside Counsel

Virtually all companies have had occasion to engage outside counsel to handle their IP work in one form or another. Outside counsel are commonly retained to perform the following seven tasks:
1) Draft and prosecute patent and trademark applications;
2) Create corporate intellectual property plans;
3) Render “freedom to operate” opinions or otherwise assist in determining the patent infringement risks of a contemplated business venture;
4) Provide opinions as to whether a specific patent is invalid or not infringed;
5) Provide trademark “clearance” opinions for a new product introduction;
6) Assist in licensing, acquisitions, merges and other transactions involving intellectual property assets; and
7) Litigate to enforce or invalidate intellectual property rights.

Retaining outside counsel for litigation is necessary in most cases, usually for reasons associated with the attorney-client privilege, attorney work product, admission-to-practice requirements of most courts, and the frequent need for in-house counsel to testify on behalf of the company. The use of outside counsel to handle all of a company’s IP needs can make economic sense for companies whose IP workload is small or when the amount of work varies over time. Also, the actual cost of IP work can be better monitored and controlled when only outside counsel are used. Such costs can often be brought to management’s attention in a more focused way than the costs associated with an in-house IP department. The total cost of outside legal services should be clearly discernable from periodic, itemized invoices rendered on a case-by-case basis by outside counsel.

2. Reasons for Not Utilizing Outside Counsel

One of the perceived disadvantages of outsourcing a company’s regular IP work is outside counsel’s lack of an in-depth, ongoing familiarity with the company’s operations. This can impede the efficient handling of the IP function, unless a particular law firm is used regularly, so that its key members can learn enough about, and keep abreast of, that client’s business to be able to work optimally with in-house counsel on an ongoing basis.

3. Criteria for Deciding When to Outsource IP Legal Services vs. Utilizing Internal IP Resources

The work that outside IP counsel do for their corporate clients can vary from responding to occasional requests for advice to handling all of a company’s IP-related legal affairs. Outside counsel’s role depends in large part on the nature and structure of the company’s in-house IP and general law staff. Regardless of how actively outside counsel participates in the company’s IP program, there has to be some liaison designated within the company for coordination and control.

a. Intellectual Property and General Counsel on Staff

Often, there is no clear-cut division of responsibility between outside IP counsel, IP in-house counsel, and general counsel in companies using the services of all three. But, in general terms, the services provided by outside IP counsel should be characterized by independence and objectivity, coupled with a background of experience from counseling other clients. IP in-house counsel, on
the other hand, should be able to furnish in-depth knowledge of the company’s legal problems, its research and development work, new-product programs, and business and interpersonal relationships, both internally and with other companies in the same industry.

When outside IP counsel are needed by companies to supplement the work of their in-house IP and general counsel, it is usually either for advice or assistance, and/or preparatory to, litigation and/or negotiations. Such a need usually arises because of the difficulty or importance of problems that are not appropriate for handling in-house, or because of a company policy to have certain work, such as litigation, handled by outside lawyers.

b. **When There Is No Staff General Counsel**

Companies that have a staff IP counsel but no general legal counsel will usually retain outside IP lawyers primarily in connection with litigation. Intricate or specialized problems are also usually referred to outside IP counsel.

Liaison with outside IP counsel is almost always handled by the IP in-house counsel. Some companies leave their IP in-house counsel free to use outside IP counsel as may be deemed appropriate, usually in consultation with the company’s management to whom IP in-house counsel reports.

c. **When There Is No Staff IP In-House Counsel**

Companies that employ staff general counsel but have no IP in-house counsel invariably retain the services of outside IP counsel. In some companies, part of the IP work is done either by their own law department or by members of the company’s research staff who have acquired some knowledge of IP law. Typically, however, these companies rely on outside IP lawyers to handle IP matters. In such circumstances, responsibility for dealing with outside IP counsel day-to-day may rest with the head of the research or engineering department.

Some companies have nearly all their IP work done by outside counsel. These counsel typically work with the research or engineering department, and report to general legal counsel, who may act as outside IP counsel’s main contact when matters of business and legal policy or contracts are involved.

Small companies that have no IP in-house counsel usually maintain IP sections in their research or engineering departments. These sections are staffed by non-lawyers who have acquired some knowledge of the law and may have become patent agents, registered to practice before the U.S. Patent and Trademark Office in patent matters. They serve as liaison with outside IP counsel and administer the company’s IP program. They assist counsel in many ways, including the preparation of patent applications and the coordination of patent searches. They also facilitate the exchange of ideas and information between inventor and outside IP counsel.

d. **When All Legal Work Is Done by Outside Counsel**

Some companies have neither IP in-house counsel nor general staff counsel, and must rely entirely on outside IP counsel to handle the companies’ IP matters.

In these companies, patent matters are likely to be taken up directly by the inventor with outside patent counsel, with little if any third-party supervision. To do this effectively requires a close
working relationship between corporate personnel and outside IP counsel. To further such a relationship in IP matters, each division or research center should have an official contact within the outside law firm’s legal staff who is thoroughly familiar with the IP problems of that division and can expedite the handling of routine matters with minimal consultation.

B. Criteria for Selecting Outside IP Counsel

Companies often select law firms to handle specific assignments by holding what have come to be called “beauty contests” among several law firms that are competing for the company’s business. The term “beauty contest” seems inappropriate because often times the most “beautiful” firm is not always the best choice, but simply the best looking. The following pointers for corporate management and in-house counsel should help make the process more effective.

I. Domestic Law Firms

a. Pre-screen the Candidates

Time is money, and executives — whether management or in-house counsel — can ill-afford to waste either. Therefore, only those lawyers or firms who have demonstrable experience in handling the type of work that the company is seeking to “outsource” should be considered. Such lawyers or firms should have prior experience with, or at least be generally acquainted with the subject matter of the proposed engagement, as well as the court and opposing counsel. That kind of experience, though costly, often saves money in the long run.

In addition to reviewing a law firm’s marketing or promotional materials, the general counsel should read the resumes of the lawyers in the law firm who will likely be doing the work. When evaluating a law firm for its relevant litigation expertise, the reported court decisions in the cases the firm has handled should be checked. In addition, the law firm should furnish a non-confidential list of its current clients to make certain that the company’s interests would not potentially be at odds with the firm’s loyalty to other clients, both ethically and from the standpoint of “business conflicts.” A company may wish to consider whether or not it would be prudent to hire a law firm that represents a competitor. Toward that end, it would behoove the company to identify its “competitors” to the law firm so as to avoid wasting time or causing later surprises.

The law firm candidate should also provide a non-confidential list of its former clients — and the company’s general counsel should take the time to review this list and contact references. One can learn a great deal about what it would be like to work with a particular outside law firm from other in-house counsel who have already done so. When checking out a law firm’s references, in-house counsel should also ask those former clients if they felt that the results achieved by the law firm justified the expense. After all, if outside counsel cannot be trusted to bill its other clients fairly, then why trust him or her to handle the company’s most important legal matters?

b. Ask the Right Questions
The more incisive the questions, the more insightful the answers are likely to be. The general counsel should not bother asking for information that can be obtained from the firm’s resume or web site. The following is a checklist of some questions designed to elicit useful answers:

- Tell us what you know about our business. What do you understand about the legal matter in question that makes it important to the company?
- Do you have any special experience that makes you an ideal candidate for this engagement? For instance, do you have experience with:
  - The patents or intellectual property in suit?
  - With the plaintiff or opposing counsel?
  - The technology and industry at issue?
  - The judge and venue for the case?
- What challenges do you see in this engagement and why?
- How will you be staffing the case?
  - Why do you propose this team?
  - What experience do they have that is germane to the case?
  - Whom do you have in mind as your local counsel (in cases where the law firm being considered does not have an office in the particular venue)? Would I have your personal commitment to become and remain involved in the case?
  - How shall we communicate and how often?
- How will you manage discovery? Can you give us a budget?
- Do you have an e-discovery plan you’d suggest for this matter? What experience do you have managing e-discovery costs in complex cases like this?
- What would be your strategy for handling this case? How would you go about resolving it short of trial? What solutions to our problem can you recommend?
- Tell us about the last significant case you resolved short of trial and how you did it.
- What do you believe makes you the best choice to handle our matter and why?
- Can you provide recent references I can call?

c. Be Candid

Just as a doctor needs his patient to tell him where the pain is, a lawyer needs to know from his client everything that may be relevant to a case before he or she can give an honest appraisal of what it will cost to prevail, or whether the client stands a reasonable chance of prevailing at all. If there are time pressures, or if there are cost considerations in a poorly capitalized company, admit it. For example, if the general counsel is aware of a former employee who will likely be a hostile witness, then he or she ought to disclose this to outside counsel.
It is also important to develop and discuss goals and strategy for the matter very early in the process. The best strategy is one that is tailored to achieve the client’s business goals. Thus, it is essential to develop -- early in the process -- reasonable and achievable goals and a strategy for achieving them. Early discussion points might include the following:

- Is the goal to settle quickly or is the matter one where an early settlement is not a reasonable goal?
- Are there any issues that might quickly dispose of the case or position it for a reasonable settlement?
- Is the case significant enough where it must be prepared, from the very outset, as if it is going to trial?

d. **Look for Loyalty**

Avoid law firms that have a history of trying to undermine the company’s in-house counsel (or whoever hired the firm in the first place). The firm should be loyal to in-house counsel. Otherwise, it may cause tension that will impede healthy development of the attorney-client relationship. In-house lawyers naturally want to work with outside counsel whose own successes will make them look good, and outside counsel should understand and appreciate that fact. Do not hire outside counsel who will call the higher-ups directly whenever there is good news to report and let in-house counsel deliver only the bad news. Outside counsel’s perception of his or her own worth must not be allowed to interfere with in-house counsel's career within the company. The general counsel should look for outside counsel who understands that they are in a service industry, and that while the company is the client, the general counsel is in effect the customer. It is vital that outside counsel shares or at least understands the general counsel’s notions of how the case should be handled.

e. **Adjust for Multi-defendant Litigation**

Many patent suits are commenced by non-practicing entities – or business entities that do not develop or market products and technology but instead hold an IP portfolio that they assert against others. When asserting this portfolio, it is common for plaintiffs to sue several defendants, sometimes in different courts. It is beneficial to ask potential counsel about experience with that specific non-practicing entity or its counsel. You may also wish to consider the identities and competitive positions of other defendants facing the same plaintiff. In some cases, a company may be able to reduce the cost of its defense by jointly retaining counsel with one or more other defendants. Such retentions have advantages and drawbacks. The most significant likely advantage is reduced cost on a per-defendant basis, since many patent cases present a number of issues that will be common to all defendants. Of course, joint representations also raise significant conflicts of interest concerns, particularly where the companies have divergent business objectives.

f. **Go with Your Instincts**

How a company decides among firms after seeing their presentations is often a matter of instinct. The relationship between in-house and outside counsel is like a marriage, so the general counsel should listen to his or her instincts when judging a “beauty contest.”
2. Foreign Law Firms

The process of selecting foreign law firms to handle a company’s IP matters — whether it be prosecution or litigation — is usually somewhat different than in the case of retaining domestic counsel. Customarily, a United States company relies on the recommendations of foreign affiliates or customers, and in some cases, on those of its domestic counsel who have had previous dealings with foreign firms and are in a position to comment on their qualifications.

In the case of patent or trademark prosecution, most foreign law firms will provide schedules of their fees for routine services. These are usually more or less the same from firm to firm since such schedules are likely a common practice in those countries. The main value of fee schedules is that they can serve as a means of checking to see if a firm is too inexpensive (and hence less likely to be of high quality) or too expensive (and hence likely to be less cost effective, albeit of high quality).

3. Settlement Counsel

One of the main concerns throughout the course of a litigation, even before litigation begins, is the prospect of an out-of-court settlement of the dispute, thus avoiding the need and expense of a trial. The settlement of IP disputes has often been the responsibility of in-house counsel rather than outside litigation counsel. This division of labor can be advantageous because if the same law firm that will serve as trial counsel also conducts the settlement negotiations a conflict of objectives can potentially arise, which could tend to detract from either the settlement or litigation efforts.

However, even if in-house counsel is primarily involved in settlement talks, internal economic and political issues may adversely influence the otherwise sound judgment of in-house IP counsel, general counsel, and business executives. In view of this it is sometimes worth considering the possibility of retaining separate outside counsel to deal with the adversary in an effort to reach a reasonable settlement. A company may expect that such outside settlement counsel will tend to approach the problem more objectively (and with less emotion) than litigation counsel or in-house counsel, in some circumstances.

XII. Achieving Quality Assurance in Working with Outside Law Firms

A. Multi-sourcing

One of the best ways to monitor and assure the quality and cost efficiency of the legal services of outside counsel – both domestic and foreign – is by multi-outsourcing (i.e., using more than one firm in those countries where it is warranted by the workload), so that comparisons can be available on a continuing basis. An additional way to assure prompt, effective, and personal service is to visit these firms periodically, for no amount of correspondence can substitute for person-to-person meetings. While a company may have a primary litigation relationship with one firm, it often makes sense to use several other law firms in different cases to assure the best representation at reasonable cost.
B. Controlling the Costs of Utilizing Outside IP Counsel

If a company’s legal matters are important enough to hire outside counsel to handle them, then the cost of doing so should be but one factor in deciding how the case is to be handled. Indeed, many lawyers who routinely charge less per hour will probably bill significantly more hours over the life of the matter.

Another way in which costs can be controlled in connection with domestic litigation is to use in-house legal staff to assist and to supplement the work done by those in the employ of outside counsel, as appropriate. In particular, paralegal personnel within the company's IP department should be used to maintain litigation and other case files. Paralegals and other non-lawyers can also work with the assigned member of the department and outside counsel to collect and review documents, maintain document collections, and otherwise assist in connection with discovery.

1. Cost Estimates and Budgets

Asking outside counsel for an estimate on how much a case will cost in the aggregate before he or she knows much about it is usually a meaningless exercise. A lawyer – even an experienced one – cannot tell a client precisely how much it will cost to litigate a case because it depends on a host of factors beyond one’s control. When in-house counsel asks outside lawyers for a cost estimate, what one usually gets includes a significant amount of hedging, like “actual fees and expenses may be higher or lower,” and “this is only an estimate.”

Budgets, however, are a different matter. When in-house counsel asks for a budget, they focus appropriately on specific numbers for specific tasks. Budgets should be calculated on a preliminary basis at the outset of a case, and reviewed and updated as the matter progresses.

2. Hourly Rate Billing

In the current economic climate, companies regularly complain that the cost of outside legal services is high because law firms are wedded to the billable hour. Nevertheless, hourly billing continues to be the way many, if not most, law firms charge for their services.

Consistent with the American Bar Association’s Model Rules of Professional Conduct, outside counsel’s fees for professional services are usually billed on the basis of the regular hourly rates of the people who are doing the work (the so-called “time-keepers”), plus disbursements and fixed office service fees. In most firms, all attorneys, law clerks, paralegals, librarians, and certain clerical personnel keep detailed time records of the work they do on every client matter. Each person is assigned an hourly-billing rate based on his or her expertise and experience. These are reviewed periodically by the firm and adjustments are made when appropriate.

While the concept of hourly billing rates seems logical and appropriate as a way of valuing legal services, in reality, corporate clients often suspect that the use of this method of billing can lead to excessive charges because firms typically use billable hours worked as a basis for evaluating attorney performance. On the other hand, law firms that view themselves primarily as members of a profession whose primary obligation is to serve the legitimate interests of their clients, and who conduct themselves accordingly, are usually not subject to this criticism. This is in keeping with Abraham Lincoln's observation that "a lawyer's time and advice are his stock in trade."
3. Transactional Fee Billing

In general, billing on a transaction basis is a variant of the hourly rate billing method. The main difference is that, while most firms tender their invoices on a monthly or other periodic basis, some firms elect, in certain types of work, to issue an invoice upon completion of each transaction. Transactional billing is common among foreign law firms engaged in IP work, and it is becoming more so among U.S. law firms.

4. Fixed-Fee Billing

Fixed fee rates are charges that are usually listed in schedules prepared by law firms engaged in IP work. The costs of handling routine matters by non-lawyers are billed on a fixed basis that is determined roughly by the cost of labor and overhead in rendering these kinds of services within the firm.

5. Retainers

When law firms are engaged for the first time by a client, it is customary for the firm to request retainers as advance payments against future charges. Such retainers are often waived in the case of major corporate clients or those who come to the firm on a referral basis. They are used more often in cases where the financial track record of the client is not yet established. Also, it is not uncommon for a law firm to request an advance to cover significant disbursements, particularly in litigation matters where significant expenses – expert witness fees, trial graphics and demonstrative exhibits, etc., – are likely to be incurred by the firm, which may not be readily able to pay them prior to billing the client.

6. Value Billing

The following section discusses alternatives to hourly, transactional, and fixed fee billing practices. These alternatives are often referred to as “value billing” (the theory being that the law firm is compensated on the basis of what the value of a successful outcome of a case would be to the client). In reality, they raise a possibility that the law firm will be paid an amount significantly more or less than the amount represented by traditional billing practices.

7. Contingent-Fee Arrangements

a. IP Litigation

In IP litigation where a plaintiff has a high likelihood of prevailing against a defendant whose financial liability could be significant, a law firm may agree to represent the plaintiff in exchange for compensation in the form of a negotiated percentage of the recovery (usually an amount approximating one-third), with disbursements to be paid by the plaintiff on an ongoing basis.

In cases where a law firm is called upon to represent a defendant, a contingent fee arrangement can be one in which the law firm, if successful on behalf of such a client, receives a negotiated percentage of the defendant’s revenue resulting from defeating the plaintiff’s attempt to obtain an injunction.
b. **IP Prosecution**

In cases where an inventor or a company of limited resources has an invention that appears to have prospects for major financial return on the investment needed to develop it (including the cost of patenting), IP law firms will sometimes accept an arrangement in which the inventor or the assignee agrees to pay for legal services in the form of a percentage of the profits that may be realized when the invention is commercialized. This is commonly regarded as a high-risk investment on the part of the law firm and typically entered into with circumspection. Such arrangements also can lead to huge profits far in excess of the actual value of services rendered, if the invention achieves significant value in the marketplace.

c. **Offering Equity Ownership in the Company to Outside Law Firms in Exchange for Services Rendered**

As an alternative to the traditional contingent fee, a law firm may invest its time and effort in obtaining IP protection for a client in exchange for an ownership interest in the client’s business. Aside from possible ethical questions and concerns, this arrangement is probably the most risky of all for law firms and consequently not likely to be viewed favorably by them when proposed by a client. But again, when the company succeeds in the marketplace with its invention and its stock price rises significantly, the result can be a significant long-term financial gain for the law firm.

XIII. **International Intellectual Property Rights Considerations**

A. **Introduction**

Intellectual property rights granted under U.S. law extend within the United States but rarely to foreign countries. In some cases, foreign rights may represent a majority of the value inherent in an invention, work, or mark. Therefore, it is essential to consider whether foreign intellectual property rights should be secured in addition to domestic rights when developing and managing an intellectual property portfolio. Available rights may include utility patent, design patent, maskwork, trademark, copyright, and trade secret protections.

Depending on the particular country and type of intellectual property involved, rights may be acquired automatically or require formal application. United States patent rights are almost never extra-territorial, and foreign patent rights are not automatically available. Therefore, establishing patent rights outside of the United States invariably requires filing foreign patent applications.

In addition to utility patents, some countries offer utility model patents. As with a utility patent, securing utility model rights requires the filing of a formal application. Typically, however, utility model patents issue without examination, or with less rigorous examination than utility patents.
Corresponding to this less vigorous examination, utility model patents generally enjoy a lower presumption of validity (if any), and have a shorter term than a utility patent.

In common law countries such as the United Kingdom, Australia, and Canada, trademark rights may be acquired by the actual use of a mark, as they are in the United States. In contrast, most civil law countries require formal registration of a mark in order to establish any rights in a trademark.

In countries that are signatories to the Berne Convention Protection of Literary and Artistic Works, copyright protection is afforded to any work created in any Berne Convention country. The United States is a signatory to both the Berne Convention and the Universal Copyright Convention. Both the Berne Convention and Universal Copyright Convention establish minimum thresholds for protection and define choice of law in copyrights. More generally, both conventions require national treatment for authors and artists. In other words, the creator of a work is accorded the same rights as would be available if he or she were a national of the country in which enforcement is sought. Also under both conventions, a work falls within the protections of the treaty if it originates in a signatory country of the treaty. Origin of the work is determined based on factors such as the author's citizenship or residence, and the locale of first publication.

Trade secret protection varies from country to country. Generally speaking, no registration of a trade secret is required, but maintaining the information on a confidential basis is necessary. Trade secret protection is based on principles of contract law and, in some countries, on specialized trade secret statutes.

Any of these rights may be valuable depending on the particular circumstances of the rights-holder. However, the potential value of acquiring foreign intellectual property rights must be considered in light of the significant costs that are generally associated with foreign intellectual property activities. These costs may include foreign official fees, translation costs, and foreign and domestic professional fees. It is therefore important to develop a coherent strategy that provides a basis for assessing the likely value of various intellectual property rights, and to identify those that should be protected.

This section includes a discussion of considerations to bear in mind when developing a strategy for acquiring and maintaining foreign intellectual property rights. Because the requirements for securing foreign copyright protection are relatively straightforward, and because trade secret rights are difficult to generalize internationally, the following emphasizes foreign patent rights and foreign trademark rights.

B. Foreign Patent Rights

Under the current U.S. patent law “first to invent” system, the first inventor(s) is the actual person(s) entitled to a U.S. patent. Thus, if two inventors file separate patent applications on the same invention, the inventor who can prove he conceived the invention first, diligently reduced it to practice, and did not abandon, suppress, or conceal the invention prior to filing his patent application, will be entitled to the patent, even if he filed his patent application later than the other applicant. Virtually every other country in the world, however, has adopted a “first to file” system that confers the patent on the first inventor to file a patent application. In a “first to file” system, the chronology of invention is not significant, and patent application becomes a race to the patent office. With a goal of bringing the U.S. patent system into harmony with the majority of other
countries, congress enacted the “Leahy-Smith America Invents Act that changes the traditional United States “first to invent” patent system to a “first to file” system. The U.S. “first to file” system goes into effect in March 2013, as discussed in Section I above.

At the risk of forfeiting U.S. patent rights, U.S. patent laws require that patent applications for inventions made within the territorial boundaries of the United States must be filed prior to filing patent applications in any other country. Subject to certain restrictions, the USPTO will issue the applicants a foreign filing license (FFL) within six months after a U.S. filing. After obtaining an FFL, an applicant may file for patent protection in other countries within one year of the original U.S. filing date, based on the United States membership in the Paris Convention. The original U.S. filing date is referred to as the “priority date” of the application. Where the benefit of this priority date is claimed by the applicant, the foreign application is treated as if it were filed in the foreign jurisdiction on the same “priority date.” The significance of a priority date becomes even more important when one considers the difference between “first to invent” and “first to file” patent systems, because in “first to file” systems, the inventor with the earliest priority date will be awarded the patent.

There are two general routes to securing foreign patent rights based on U.S. priority rights. An applicant may proceed directly to the patent office of the country in which patent rights are sought, or he may file under one of several international patent conventions. These international patent conventions include:

- Paris Convention for the Protection of Industrial Property
- Patent Cooperation Treaty
- European Patent Convention
- European Community Patent
- Eurasian Patent Convention
- L’Organisation Africaine de la Propriété Intellectuelle

1. Patent Applications Under the Paris Convention

Most developed countries, with the exception of Taiwan, are signatory members of the Paris Convention Treaty. As described above, an applicant from a member country can file a utility patent application in the national patent office of any Paris Convention member country up to one year after initially filing in the patent office of another signatory state. Generally speaking, the first patent application is filed in the “home” patent office of the applicant. As noted above, a U.S. applicant will normally file first in the United States and then in other foreign countries.


The most widely used of the international patent conventions is the Patent Cooperation Treaty (“PCT”). The vast majority of the world's countries are signatories to the PCT, including nearly all major industrialized countries. As of May 1, 2012, 145 countries are PCT contracting states. A current list of PCT countries is provided in Section XVII. The PCT is administered by the World Intellectual Property Organization (“WIPO”) based in Geneva, Switzerland.
PCT applications are filed with WIPO or through an applicant’s national Receiving Office (“RO”), and are generally published within 18 months of filing. For example, in the U.S., the USPTO acts as an RO for U.S. residents and nationals. After filing with the RO, an authorized International Searching Authority (“ISA”) creates an International Search Report (“ISR”) containing the most relevant prior art available. Finally, an applicant may request an International Preliminary Report on Patentability (“IPRP”), which details the examiner’s position as to whether each claim is “novel,” involves “inventive step,” and is “industrially applicable.” The IPRP issues within 28 months of the priority date. At 30 months from filing (although some countries allow additional time), the international stage expires, and the PCT application proceeds to the national and regional stages, where applicants may pursue patent rights in each selected individual country or region. The applicant’s decision to pursue foreign rights is informed by knowledge of the prior art and an examiner’s opinion on patentability from the ISR and IPRP.

The PCT offers a robust and reliable system for inventors. The main advantages of the PCT are a unified filing procedure and the ability to delay national or regional application procedures and any respective fees or translation costs. Additionally, an evaluation of patentability made under the PCT should lead to uniform results for each country where patent rights are sought. As a result, the PCT process provides an applicant a better chance to analyze the patentability and profitability of the invention, leading to a more informed decision regarding where the patent application should be prosecuted.


There are a number of regional patent arrangements that provide a basis for protecting inventions throughout all of the member countries. The most important to U.S. applicants has been the European Patent Convention (“EPC”). A list of the member countries (“Contracting States”) of the EPC is provided in Section XVIII. Applications under the EPC, termed European Patent Applications (“EPA”), are administered by the European Patent Office (EPO), which is located in Munich, Germany. Under the European Patent Convention, an applicant may secure, by a single patent grant procedure before the EPO, protection in several, or all, of the Contracting States. However, European patents granted under the EPC are enforceable only in Contracting States.

EPAs are examined by the EPO and may be filed by any natural or legal person regardless of nationality, place of residence, or place of business. The EPC allows the applicant to evaluate the result of the prior art search report before the applicant must decide which EPC Contracting States to designate. All Contracting States are designated by default at the date of filing, but any such designation is made valid only by payment of a corresponding designation fee within six months from receipt of the search report. A maximum of seven designation fees may be paid. The applicant may subsequently choose to validate the granted European patent in all or some of the designated states.

The basic requirements for an EPA include: a request for the grant of a European patent; a description of the invention; one or more claims; any drawings referred to in the description or the claims; and an abstract. Also, an application under the EPC may be filed in English. Therefore, generally speaking, a single application including specification, claims, and drawings may be prepared for filing in the United States and in the EPO. Consequently, for U.S. applicants, filing under the EPC as opposed to individual national filings yields significant savings in preparation and translation costs.
When filing a patent application in the EPO, an applicant may claim priority to an earlier filed "first" application that was filed within the previous 12 months. Priority may be claimed to one or more applications, including a national application filed in the patent office of a Paris Convention member, a PCT application, and/or an EPA. The EPO also accepts priority claims to a provisional U.S. patent application.

Currently, once a European patent is granted, a patentee has a short period, usually three months, to have the patent translated into the official language of each country in which the patentee seeks patent protection.  

4. When to File Foreign Patent Applications

It is important to be aware of the deadlines for action associated with securing patent rights and the activities that may preclude acquisition of such rights. For example, whereas the United States has a limited one-year grace period in which to file a patent after certain publications or public uses of an invention, no such grace period exists in countries with an “absolute novelty” requirement. See Section II, above.

A foreign national patent application, filed under the Paris Convention, must be filed within one year of the filing date of the corresponding U.S. patent application to which priority is claimed. This one-year deadline also applies to the filing date of U.S. provisional applications, if the filing date for the U.S. provisional application is to be claimed as the priority date of the foreign application.

Like a foreign national patent application under the Paris Convention, a PCT application must also be filed within one year of the filing date of the U.S. application to which priority is claimed. The deadlines are, generally speaking, non-extendable. If the filing date is missed, the opportunity to claim Paris Convention priority or PCT priority may be irretrievably lost. The same deadlines apply to patents filed under both the European Patent Convention and the Eurasian Patent Convention.

5. Preserving Patent Rights

a. Patent Notices

Patent marking requirements differ from country to country. Like the United States, some countries require marking of an article with a patent number in order to be entitled to enforce certain statutory patent rights. Care should be taken to ensure that any export product bound for a particular country is appropriately marked according to the regulations of that country.

b. Maintenance Fees

Most countries require payment of an annuity to maintain an issued patent in force. Annuity fees may represent a large portion of the cost of securing and maintaining patent protection and should be considered during the evaluation of an invention for potential patent protection.
International patent applications filed under the Patent Cooperation Treaty are not subject to the payment of maintenance fees. However, such fees may apply, depending on the applicant’s designated or elected national and regional offices.

Renewal fees apply to applications under the European Patent Convention and are due at the beginning of the third year following submission. Once an EPC patent is granted, however, no further fees are assessed by the EPO. Instead, renewal fees are paid to each Contracting State in which the EPC patent is validated.

c. Enforcement

In addition to considering the costs of patent prosecution in a particular target country, it is important to take into account the available avenues for enforcement, and the costs associated with enforcement activities. Important considerations in this evaluation include whether or not injunctive relief is available; the magnitude of typical damage awards, if any; whether relief is available through judicial mechanisms, administrative mechanisms, or both; and the impartiality of the courts and administrative bodies in providing national treatment for foreign patent rights holders.

One issue potential foreign applicants should consider is that once granted, an EPC patent is enforceable only on a country-by-country basis. However, from a defensive standpoint, country-by-country treatment also benefits potential patentees because third parties wanting to invalidate a European patent must institute revocation proceedings in each country where the EPC patent is in force.

d. Compulsory Licensing

A further consideration in evaluating foreign patent opportunities is whether compulsory licensing is enforced in the target country. In some countries, patent rights holders are required to license a patent at a “reasonable” royalty if the rights holders fail to practice the patent during a particular statutory time interval. Similarly, the trend towards compulsory licensing in the United States has increased after the Supreme Court’s opinion in eBay Inc. v. MercExchange, L.L.C. Courts are now generally unwilling to grant permanent injunctions to non-practicing patent holders after finding infringement. Consequently, the number of compulsory licenses in the United States is increasing dramatically.

C. Foreign Trademark Rights

I. National Trademark Registrations

Applicants from the United States may file trademark applications in the national trademark office of foreign countries. Local attorneys are used for this purpose. Under the Paris Convention, trademark applicants receive a six-month period under the Convention to claim priority to an original filing in another Convention State. Trademark applications filed in Convention countries within six months of their priority date are therefore treated as if filed on that priority date.
2. International Registrations

The international trademark registration system was established by a treaty known as the Madrid Agreement. Like the Patent Cooperation Treaty, it is administered by the WIPO. The Agreement was intended to provide an easier and less expensive way to file national trademark applications, but some large countries with established national trademark systems, including the United States, did not sign it. To address their concerns, the Madrid Protocol was added in 1996. In 2003 and 2004, respectively, the European Union and United States finally joined the Protocol. The primary advantage of the Madrid Protocol is that it allows trademark owners to apply for trademark protection in a number of countries through a single administrative process.

To apply for an International Registration (“IR”) under the Protocol, an applicant must be a national of, be domiciled in, or have a real and effective business or commercial establishment in one of the countries or intergovernmental organizations signatory to the Protocol. The application must be based on one or more trademark applications filed in or registrations issued by the trademark office of a member country. The IR application may be filed in French or English and must cover the same mark, goods, and services as in the original registration or application. Once an applicant files an IR application, the applicant can designate the member countries in which it would like to protect the mark. The WIPO then transmits copies to the trademark office in each country, where examination proceeds as it would under a national filing.

A disadvantage of the Madrid Protocol is that the abandonment, withdrawal, or cancellation of the originating application or registration within five years of an IR’s registration date also results in the abandonment, withdrawal, or cancellation of the applications and registrations in the countries to which the protection has been extended. To avoid this scenario, the applicant can convert these applications and registrations to national applications and registrations in the corresponding member countries.

3. European Community Trademark Registrations

A single European Community Trademark application will result in one registration that covers all 27 countries of the European Union: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom. Although an applicant can still file in each country individually, the Community registration, while not inexpensive, is a significantly cheaper approach. Community registration also makes it possible to file one infringement action and obtain an injunction that applies in all member countries of the European Union. With individual country registrations, an injunction would apply only in that forum country. Finally, most trademark registrations can be cancelled if the mark is not used for a period of time in the country. The European Community Trademark registration is not vulnerable to cancellation as long as the mark is used in even one member country. Thus, for many companies, European Community Trademark registrations are sound investments.

D. Strategic Considerations

The development of a global economy tends to increase the value of foreign intellectual property rights for U.S. intellectual property owners. At the same time, the costs of acquiring and asserting
intellectual property rights are in flux. New intellectual property treaties and widening accession to existing treaties tends to reduce, or at least defer, foreign filing expenses. At the same time, generalized inflation and geographically wider business activities increase foreign intellectual property portfolio costs. In the face of these various opposing economic forces, it is important to carefully consider the pros and cons of seeking foreign intellectual property protection.

As in domestic practice, the decision to seek foreign intellectual property rights in a particular mark, work, or invention must be addressed on a case-by-case basis. The factors favoring foreign filing have increased in number and weight in recent years.

Fundamental changes in the world economy bear on the development of widespread and relatively uniform intellectual property right protections. Aspects of these changes include dramatic reductions in the costs of communication and transportation. The harmonization of commercial and trading laws has allowed the development of a relatively integrated world economy capable of supporting significant international trade and foreign investment. These changes have been accompanied by development of foreign manufacturing facilities.

In assessing the need for international patent protection, the first considerations include determining the status of the countries in question as current or prospective markets for products or processes using the invention. Even relatively inexpensive protection is likely to be unjustified in the absence of a substantial marketing opportunity. Secondary considerations include the availability of effective enforcement and the costs of enforcement and prosecution in the subject jurisdiction. Additional considerations include the effect of the rights secured relative to competitive entities. For example, if a company based in China uses economies of scale based on its domestic market to gain competitive advantage in the U.S. market, patenting U.S. technology in China may offer competitive leverage, even if the U.S. company is presently unable to exploit the Chinese market.

Factors regarding the national versus convention approach to foreign patenting include the likely persistence of the technology in question and the company’s confidence in the prospective market. Patent protection is effective for technologies with short lifecycles only if such protection can be achieved rapidly. Accordingly, patent applications for short-lifecycle technologies should be filed directly in the national patent office as soon as the USPTO issues a foreign filing license. On the other hand, where the commercial value of the invention remains uncertain, it may be disadvantageous to delay national phase prosecution by filing a convention application at or near the one-year priority deadline. An additional 30 months are then available before a decision must be made as to whether to incur the expense of national phase prosecution. During this 42 months, a clearer picture may emerge as to the commercial value of the invention generally, and in the target country in question.

E. Cost Considerations

Procuring and maintaining foreign patents and trademark registrations can become very expensive. Available computer programs for estimating the costs of patents and trademarks over their lives are available from:

Computer Patent Annuities
CPA Software Solutions
XIV. Insurance Coverage for IP Related Risks

A. Introduction

The growing strategic importance and economic value of intellectual property dictate that companies large and small devote considerable effort to ensuring that these vital assets are protected. Not surprisingly, the emergence of IP as a major component of corporate value has resulted in a significant increase in litigation of IP-related claims. This increase in IP-related litigation has, in turn, produced a dramatic increase in litigation between insurance policyholders and their insurers concerning the extent to which IP-related claims are covered by general lines insurance. As discussed below, the insurance coverage litigation typically has focused on whether certain provisions of the so-called Commercial General Liability (“CGL”) policy (or its pre-1986 predecessor, the Comprehensive General Liability policy) obligate insurers to defend and/or indemnify their policyholders for IP-related claims. While CGL policies provide coverage for many types of IP-related claims, litigation always involves uncertainty as to outcome and courts have reached divergent results in many cases.

To address the uncertainty created by some courts’ interpretations of CGL coverage, some insurers have started offering IP-specific policies. The currently available types of IP-specific policies also are discussed below.

B. CGL Insurance Coverage

The CGL policies are products of the Insurance Services Office (“ISO”), an organization that drafts, publishes, and disseminates policy forms widely used by the insurance industry. Standard-form CGL policies provide coverage for a policyholder’s liability for bodily injury, property damage,
personal injury, and advertising injury sustained by third-party claimants. Coverage for IP-related claims is most frequently obtained under the “advertising injury” coverage afforded under the CGL policies. However, the definition of advertising injury coverage has changed over time. The post-1986 versions of advertising coverage are the versions most commonly at issue for contemporary claims. The 1986 version is less commonly seen today, but because many cases interpreting the key concepts of advertising injury coverage in the IP context address the 1986 version, it also is discussed below.

### 1. Relevant Provisions in ISO CGL Policy Forms

In 1986, ISO amended the CGL policy and renamed it the Commercial General Liability policy. For the first time, the 1986 CGL policy included “advertising injury” coverage as part of the policy’s standard coverage.176 “Coverage A” of the 1986 CGL policy insures against liability for bodily injury and property damage. “Coverage B” provides coverage for a policyholder’s liability for personal injury and advertising injury.

The 1986 form specifies that coverage applies “to ‘advertising injury’ only if caused by an offense committed . . . [i]n the course of advertising your goods, products or services.” The 1986 policy form defined “advertising injury” as follows:

“Advertising Injury” means injury arising out of one or more of the following offenses:

- Oral or written publication of material that slanders or libels a person or organization or disparages a person’s or organization’s goods, products, or services;
- Oral or written publication of material that violates a person’s right of privacy;
- Misappropriation of advertising ideas or style of doing business; or
- Infringement of copyright, title, or slogan.

The CGL form was revised in 1998. The 1998 CGL form combines coverage for personal injury and advertising injury into one coverage for “personal and advertising injury.” The 1998 CGL removes coverage for “infringement of title,” “misappropriation of the style of doing business,” and “misappropriation of advertising ideas,” but adds coverage for “infringement upon another’s trade dress.” The 1998 CGL also provides that personal and advertising injury include *inter alia*:

- Oral or written publication of material that slanders or libels a person or organization or disparages a person’s or organization’s goods, products or services;
- Oral or written publication of material that violates a person’s right of privacy;
- The use of another entity’s advertising idea in the insured’s advertisements;
- Infringement of another entity’s copyright, trade dress, or slogan in the insured’s advertisements; or
- False arrest, detention, or imprisonment.
The 1998 CGL policy form defines “advertisement” to mean “[n]otice that is broadcast or published to the general public or specific market segments . . . for the purpose of attaining customers or supporters.”

In 2001, ISO further amended the “Advertising Injury” portions of the CGL policy form. The 2001 version of the CGL’s “Advertising Injury” coverage specifically includes coverage for:

- Libel, slander, or disparagement.
- Violation of the right of privacy;
- Use of another’s advertising idea in your advertisement; and
- Infringement of copyright, trade dress, or slogan in your [i.e., policyholder’s] advertisement.

The 2001 version thus excludes coverage for advertising injury “arising out of copyright, patent, trademark, trade secret or other intellectual property rights” unless the claim is for “infringement, in your ‘advertisement’, of copyright, trade dress or slogan.”

The 2001 CGL policy form also expanded the definition of “advertisement” to include “material placed on the Internet or on similar electronic means of communication” and, “[r]egarding websites, only the part of a Website that is about your goods, products or services for the purposes of attracting customers or supporters is considered an advertisement.”

However, the 2001 version of the CGL’s “Advertising Injury” coverage also contains language narrowing its scope by excluding:

- Any offense that was not committed in the coverage territory during the policy period;
- Any offense committed by an insured whose business is advertising, broadcasting, publishing, or telecasting; designing or determining content of web-based sites for others; or an internet search, access, content, or service provider;
- Injury arising out of electronic chat rooms or bulletin boards that the insured hosts, owns, or over which the insured exercises control; and
- Unauthorized use of another’s name or product in your email address, domain name, or meta tag.

In 2004, ISO again amended the CGL policy and introduced two completely new coverage forms. The December 2004 amendments did not substantively affect the scope of advertising injury coverage under CGL Coverage B. The 2004 CGL policy form did, however, modify the scope of "property damage" coverage under CGL Coverage A by changing the definition of "property damage" to stipulate that "electronic data is not tangible property." The result of this amendment was to eliminate coverage for direct damage to electronic data, and for the loss of use of data that are not physically injured, by removing such losses from the scope of "property damage." Particularly, in the 2004 CGL policy form Coverage A, ISO introduced language intended to restrict coverage in connection with loss of electronic data, i.e., coverage for “damages arising out of the loss of, loss of use of, damage to, corruption of, inability to access, or inability to manipulate electronic data.” The scope of this coverage exclusion in the 2004 CGL policy form, however, is unclear.
Regardless of the scope of the coverage exclusion noted above under the CGL policy’s Coverage A, liability for damage to electronic data may be covered using form CG 00 65, Electronic Data Liability Coverage Form. This form covers an "electronic data incident" that causes "loss of electronic data," the latter term being defined as "damage to, loss of, loss of use of, corruption of, inability to access, or inability to properly manipulate electronic data."177

2. Adobe Injury Liability Insurance

As mentioned earlier, coverage for IP-related claims is most frequently obtained under the “advertising injury” coverage afforded under the CGL policies. However, the failure of the various CGL policies to clarify the scope of coverage for specific types of IP-related claims (i.e., infringement of trademarks, trade dress, and patents, or misappropriation of trade secrets) has resulted in varied and sometimes contradictory judicial interpretations of the scope of the coverage afforded by these policies. As one legal commentator noted:

Whether insurance coverage exists for IP claims depends, at the moment, on the specific kinds of claims asserted in the underlying suit, and the court which is considering the issue. For some types of IP matters, the situation is more than simply unsettled. Coverage for trademark infringement claims under the most commonly encountered ‘advertising injury’ policy, for example, is the subject of a dramatic split among the circuits. Coverage for claims of trade dress, copyright and patent infringement, unfair competition, and trade secret misappropriation, under similar policy provisions, is anything but clear.

Whether an intellectual property claim is insured or not can have an enormous impact on whether and how it is adjudicated. For reasons having as much to do with history as with anything else, standard commercial general liability policies insuring against ‘advertising injuries’ do not expressly state that claims for infringement of trademarks, trade dress and patents, or for misappropriation of trade secrets, are covered. In consequence, particularly because litigating these claims can be very expensive, suits to ascertain the reasonable expectations of the insurer and insured on this point have burgeoned.178

The following subsections will briefly discuss whether the advertising injury coverage afforded under the post-1986 CGL policy forms provides coverage for IP-related risks such as unfair competition, trademark and trade dress infringement, copyright infringement, and patent infringement.

a. Unfair Competition

The earliest form of advertising injury coverage, which was set forth in the 1981 broad form endorsement, expressly included coverage for “unfair competition.” Most courts interpreted the term narrowly as being equivalent to the common law tort of “passing off,” (i.e., attempting to pass off one’s own goods as those of another).179 The definition of “advertising injury” in the 1986 CGL policy form and forms thereafter does not include “unfair competition.” However, the phrase “misappropriation of advertising ideas or style of doing business” included in the 1986 CGL policy form could be considered a reasonable substitute for “unfair competition.” Further, an unfair competition claim may fall within the scope of coverage in the post-1986 CGL policy forms.
for infringement of “copyright, trade dress or slogan” or “use of another’s advertising idea in [the policyholder’s] advertisement.”

**b. Copyright Infringement**

The 1986 ISO CGL policy form expressly provides coverage for copyright infringement as one of the offenses constituting “advertising injury.” Claims for copyright infringement should be covered under the 1986 form, provided the alleged infringement occurred in the course of advertising activity. The post-1986 CGL policy forms provide coverage for “[i]nfringement upon another’s copyright . . . in [the policyholder’s] advertisement.” Courts have interpreted this provision as being substantially the same as the provisions in the 1986 CGL form. Accordingly, copyright infringement claims also should be covered under the post-1986 CGL forms, if the alleged infringement occurred in the course of advertising activity.

**c. Trademark and Trade Dress Infringement**

For purposes of the 1986 ISO CGL form, “advertising injury” includes claims of trademark infringement, service mark infringement, and trade dress infringement, because they constitute either “misappropriation of advertising ideas or style of doing business” or “infringement of [] title or slogan.” Because trademark or service mark infringement necessarily involves the use of an allegedly infringing mark to identify the policyholder’s goods or services, such claims necessarily occur in the course of advertising. For the same reason, such claims generally should fall within the post-1986 CGL policies’ coverage for infringement of “trade dress or slogan” or “[u]se of another’s advertising idea in your ‘advertisement.’”

**d. Patent Infringement**

Many courts have held that patent infringement claims are not covered under CGL Coverage B for “advertising injury” if the patent at issue does not involve a process or invention that can be considered an “advertising idea.” Even when the policyholder advertises the alleged infringing product, courts generally have held that a CGL policy does not provide coverage. However, recent cases have reiterated that patent infringement claims may fall within the 1986 and later CGL form’s coverage for “misappropriation of advertising ideas” or “use of another’s advertising idea in your ‘advertisement’” if the patent at issue does involve a process or invention that can be considered an “advertising idea.” For example, in Hyundai Motor America, the underlying claim alleged that Hyundai’s “build your own vehicle” feature on its website, which allowed potential customers to display customized vehicle images and pricing information, infringed a patent for a computer-based system for creating customized auto product proposals. In Hyundai, the U.S. Court of Appeals for the Ninth Circuit held that the claim against Hyundai alleged misappropriation of a patented advertising method and, as a result, fell within the scope of the policy’s advertising injury coverage.
C. Non-CGL Insurance Coverage

The uncertain scope of CGL coverage for IP-related claims has led to the development of a number of new insurance products designed to provide coverage for entities seeking either to defend themselves against IP-related claims or to pursue such claims offensively. While a comprehensive examination of the specific policy options currently available is beyond the scope of this Section, such coverage includes, in general, the following:

1. Media Liability or Errors and Omissions Policies

These policies specifically address the coverage needs of entities, such as media or entertainment companies, that are involved in creating or otherwise making use of non-useful (that is, non-patentable) intellectual property. They generally cover liabilities stemming from the dissemination of the policyholder’s creative works and/or advertising for such works. Because these policies are generally written on a “named peril” basis, the coverage they afford typically extends only to the dissemination, during the policy period, of creative works that are specifically identified in the policyholder’s application for coverage. Such policies typically cover a policyholder’s liability stemming from causes of action, which—like the specified creative works at issue—are enumerated in the policies. Such causes of action may include one or more of the following: copyright infringement, misappropriation of ideas not subject to copyright, trademark infringement, breach of an implied contract relating to a third-party’s submission of an idea or other creative material to the policyholder, defamation, trade libel, infliction of emotional distress, and violation of privacy rights. These policies do not cover claims for patent infringement, false advertising, claims brought against the insured by former employees or others who allege their having been involved in the conception or development of the policyholder’s creative works at issue, liability for breach of contract, or liability for the policyholder’s offensive litigation costs against other allegedly infringing parties.

Similar to the media liability policies, “cyber-risk” policies address the coverage needs of entities for their activities in connection with the display, transmission, or other use of content on the internet. Such policies typically cover a policyholder’s liability and costs worldwide for the following causes of action: copyright infringement, misappropriation of ideas not subject to copyright, trademark infringement, breach of an implied contract relating to a third party’s submission of an idea or other creative material to the policyholder, defamation, trade libel, infliction of emotional distress, and violation of privacy rights. These policies, however, generally do not cover claims for patent infringement, false advertising, trade secret misappropriation, and breach of contract for failure to pay royalties.

2. Technology Errors and Omissions Policies

Technology E&O policies are beginning to include within their policy form or by endorsement coverage for copyright and patent infringement related to a company’s provision of technology services. However, coverage limits are typically low; no more than $2 million.

Insurance providers now offer several types of stand-alone policies to cover costs associated with the protection from infringement of and enforcement of IP rights. The policies’ coverage includes: infringement liability defense and indemnity, infringement abatement or enforcement costs, infringement liability defense cost reimbursement, representations and warranties, and first party loss or impaired value.

a. Infringement Liability Defense and Indemnity

A small number of insurers have developed claims-made indemnity policies designed to cover claims of patent, trademark, and copyright infringement that are brought against a policyholder stemming from the policyholder’s use, distribution, advertising, and/or sale of its products. These policies typically will cover liability for the policyholder’s defense expenses, damage awards, and settlement payments, with defense costs eroding the policies’ coverage limits. These policies typically do not cover willful infringement, potential infringements that the policyholder was aware of at the time of policy inception (or litigation in which the policyholder was involved at the time of policy’s inception), liability for criminal acts, and certain claims made against the policyholder by governmental entities. Note also that unless the policy allows for a retroactive date, if a claim is made during the policy period, the policy may only pay for those past damages accrued from the time of policy inception.

The scope of coverage under these policies varies greatly. For example, some insurers will cover only those products that are expressly scheduled in the policy and only those aspects of the products that are protected by the insured’s own patents. Other policy forms allow for coverage of additional insureds such as licensees, customers, and other entities with which the insured has contractual IP indemnities. Territorial coverage can be worldwide, and policy terms are typically one year.

Such policies may or may not provide coverage for defense costs. Because insurers recognize that IP litigation, particularly patent litigation, requires specialized training and experience, policyholders frequently are allowed to use their own IP counsel in the event of a claim. However, most IP infringement liability policies have a self-insured retention (“SIR”) or deductible that must first be satisfied and a co-insurance percentage, which insurers may increase if an insured uses its own counsel that does not satisfy the insurer’s criteria or is not on the insurer’s list of approved counsel. The SIR can vary from zero to several million dollars, and capacity limits can vary as well. Although policies with limits of $25 million have been issued, most IP infringement liability policies’ limits of indemnity are somewhere between $1 million and $10 million.

Just as the scope of coverage and the policy forms vary greatly among insurers, the underwriting process varies, as well, given that this line of specialty coverage is still developing. For example, some insurers require applicants to obtain and provide to insurers legal opinions of non-infringement regarding the products the applicants wish to insure against claims of IP infringement. Other insurers will first provide a nonbinding indication of terms to give potential insureds an idea of the limit of indemnity, SIR, and co-insurance that would be offered and the estimated premium. If the potential insured chooses to go forward with applying for coverage, it will be required to pay a nonrefundable underwriting risk review fee to the insurer before the insurer will accept the insurance application or perform its risk review.
b. Insurance for Plaintiff’s Intellectual Property Enforcement Litigation Costs

A small number of companies also have developed policies that pay the policyholder’s costs to sue alleged infringers of the policyholder’s patents, trademarks, or copyrights. Such policies may cover as much as 75 or 80 percent of the policyholder’s litigation costs (including costs associated with opposing any counterclaims asserting the invalidity of the policyholder’s claimed IP rights), but do not cover liability for judgments or damages awarded against the policyholder. Some carriers offer this coverage only to non-North American companies, although they will provide territorial coverage for all jurisdictions in which the insured holds IP, including the United States, assuming the IP is scheduled in the policy. Other limitations on coverage may include disallowance for claims made within a specified time period after policy inception and exclusions for infringers known at the time the policyholder applied for coverage.

During the underwriting process for these types of policies, the insurer must determine not only the risk that a claim will be made, but also the risk that the policyholder will be unsuccessful in asserting its infringement claim. And, at the time of a claim, such policies typically require the policyholder to provide the insurer with detailed information concerning the technology at issue and an independent legal opinion as to the merits of its infringement claim. The policy also may provide that, in the event of a recovery by the policyholder, the insurer will be entitled to recoup its costs from the recovery or to charge a deferred premium.


At least one company has developed “Patent Infringement Defense Cost Reimbursement Insurance.” As its name suggests, this policy provides insurance for a policyholder’s costs incurred in defending itself in patent litigation brought against it in courts in the United States. Under this type of policy, no coverage is provided for damage awards against the policyholder. Smaller premiums may make this type of policy more attractive to smaller companies than defense and indemnity insurance policies.

d. First Party Intellectual Property Insurance

First party property coverage may be obtained to protect against loss of value of IP assets due to events such as a legal judgment that a patent is invalid. The underwriting process requires a legal evaluation of the strength of the IP along with a valuation of the IP assets to be insured.

e. Representations and Warranties Insurance

Many representations and warranties policies exclude IP-related representations and warranties. Consequently, there is at least one insurer that offers IP-specific representations and warranties coverage. This policy product includes first party representations (e.g., that the seller has good title to the IP it is transferring) and third party representations (e.g., that the seller is not aware that its products infringe anyone’s IP rights). These policies typically have policy periods of up to three years, provide claims-made indemnity coverage, and include an SIR and co-insurance percentage.
D. The Importance of Internal IP-Related Controls

The emergence of these new forms of IP-related insurance has renewed the focus on the importance of a prospective IP policyholder’s internal efforts to appropriately document and safeguard its intellectual property assets. Indeed, the establishment of, and strict adherence to, internal company-wide intellectual property compliance programs will enable companies to both safeguard their own intellectual property and help ensure that their corporate activities do not infringe the IP rights of others. Although such efforts may take a variety of forms, they should include, at a minimum, the following:

- A clear statement of the company’s goals, policies, and procedures regarding its use and development of its IP assets;
- A clear articulation of the respective roles to be played by company personnel in achieving the company’s IP goals and in implementing and adhering to its IP policies and procedures;
- A clear articulation of the specific roles and responsibilities of both in-house and outside counsel in the creation, implementation, and ongoing development of the company’s IP program;
- A clear description both of activities that would constitute violations of the company’s IP policies and procedures and the consequences that would attend any such violations;
- A formal training program to familiarize company staff with the company’s IP program, including a mechanism to ensure that appropriate employees are kept informed of relevant developments in both IP law and IP insurance coverage;
- The clear delegation of responsibility for the completion of various IP-related tasks (e.g., the drafting of IP-related contracts and licenses, the registration of the company’s intellectual property, etc.) to appropriate company personnel; and
- The maintenance, organization, and updating of all IP-related documents, including all documents reflecting the company’s establishment of, and ongoing adherence to, the IP program.190

The implementation and continued refinement of such an IP program will enable the company to reduce its IP-related risks and to identify any specific needs requiring the purchase of one or more specialized IP insurance products to augment the protection afforded by its general liability policies.

Additionally, any policyholder or prospective policyholder who is interested in better safeguarding its IP-related activities by using its existing insurance or by acquiring additional coverage should keep in mind the following rules of thumb:

- Organize and retain all of the company’s present and past CGL policies and any and all documentation relating to the purchase and renewal of such policies and the coverage they afforded.
- Once the company’s historical CGL coverage has been collected, retain outside expertise to assess the potential applicability of such coverage to any IP-related claims that might arise, and do so before the company is faced with such claims.
■ Review the company’s past and ongoing operations and activities to identify potential sources both of IP-related claims, in general, and claims that may be the subject of CGL advertising injury coverage provisions in particular.

■ Upon the company’s receipt of a demand letter or a complaint concerning IP-related matters (or other material suggesting that the company may be receiving such correspondence), it should immediately have both the subject correspondence and the company’s insurance policies reviewed by someone knowledgeable in these areas.

■ After such a consultation, provide the company’s insurer(s) with notice of the company’s receipt of the claim (or potential claim) in question.

Finally, the availability and nature of IP-specific insurance policies are subject to change in light of continuing developments in the legal and insurance fields and the ever-changing character of intellectual property. Thus, companies should consult with both knowledgeable coverage counsel and appropriate insurance industry representatives in fashioning both their internal IP programs and their insurance coverage programs in order to take full advantage of IP-related opportunities while, at the same time, minimizing their IP-related risks.
XV. About Dickstein Shapiro and the Authors

About the Firm

Dickstein Shapiro LLP, founded in 1953, is internationally recognized for its work with clients, from start-ups to Fortune 500 corporations. Dickstein Shapiro provides strategic counsel and develops multidisciplinary legal solutions by leveraging its core strengths—litigation, regulatory, transactions, and advocacy—to successfully advance clients’ business interests.

While Dickstein Shapiro’s work generally originates from a client’s need for legal representation, the firm is mindful that legal service is but one ingredient in achieving a client’s strategic business goals. The firm prides itself on learning and understanding client objectives and partnering with clients to generate genuine business value. For additional information, please visit dicksteinshapiro.com.

Dickstein Shapiro’s Intellectual Property (IP) Practice of approximately 100 IP attorneys combines decades of litigation experience with a robust procurement and asset management practice to devise strategies that help clients protect IP assets while maximizing their value. The firm handles all aspects of intellectual property work including litigation, patent and trademark procurement, counseling, asset management, monetization, and licensing. Our IP attorneys assist clients in developing intellectual property programs that are predicated on and indispensable to the realization of primary business objectives and that, at the same time, minimize the risk of litigation. The firm’s IP practice represents a variety of national and international companies active in the electronics, semiconductor, communications, computer hardware and software, Internet distribution and operations, chemical, medical device, and biotechnology industries, among other technologies.

About the Authors

Gary Hoffman leads the firm’s Intellectual Property Practice of approximately 100 attorneys. Mr. Hoffman focuses his practice on intellectual property law, unfair competition, and computer law, including litigation, licensing, and creation of asset management programs. In more than 35 years of private practice, he has participated in more than 140 intellectual property lawsuits and has acted as lead counsel in most of these. These actions have involved patent, trademark, copyright, antitrust, trade secret, and unfair competition disputes. Additionally, he has prepared more than 175 licensing agreements and has established programs for the acquisition and management of intellectual property rights.

James Brady is a partner in the Intellectual Property Practice and focuses his practice on patent litigation, USPTO post grant procedures, and IP acquisition and monetization. Mr. Brady has served as lead intellectual property counsel to a wide range of chemical, pharmaceutical, and biotechnology companies. He has successfully represented clients in litigation (obtaining judgments totaling approximately 1.1 billion dollars in 2008 and 2011), business transactions, as
well as developing strategies to position the companies and their intellectual property portfolios to succeed in highly competitive industries. His technical knowledge encompasses polymers, pharmaceutical compounds, drug delivery technology, diagnostics, antibodies, vaccines, genomics, proteomics, medical devices, and environmental processes.

**Kenneth Brothers** is a partner in Dickstein Shapiro’s Intellectual Property Practice and focuses his practice on intellectual property trial and appellate litigation. He also counsels clients with respect to claims of and defenses to patent infringement and patent licensing, as well as trademark, trade dress, copyright, ecommerce, trade secret, unfair competition, and related antitrust matters. He has acted as trial or appellate counsel in federal and state courts in more than a dozen states, including Arizona, California, Colorado, Connecticut, the District of Columbia, Delaware, Florida, Georgia, Illinois, Indiana, Maryland, Michigan, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, and Virginia.

**Krista Carter** is a partner in Dickstein Shapiro’s Intellectual Property Practice and focuses on litigation and strategic counseling for innovative biotechnology and information technology companies. She represents clients in trial, on appeals, and before the International Trade Commission (ITC). In addition to her litigation and counseling experience, Ms. Carter has assisted in reexamination proceedings before the U.S. Patent and Trademark Office.

**Jeremy Cubert** is a partner in the Intellectual Property Practice and focuses his practice on biotechnology and chemical intellectual property law including patent prosecution, licensing and technology transfer, litigation, due diligence, and client counseling pertaining to the use and acquisition of intellectual property. Mr. Cubert has been employed in the area of intellectual property law since 1992. He served as a scientist and technology transfer specialist for the National Cancer Institute and later as a staff attorney for the Federal Trade Commission. Mr. Cubert advises clients regarding intellectual property acquisition and enforcement for technologies ranging from genomics and recombinant organisms to pharmaceuticals and medical devices.

**Robert Dickerson** is a Los Angeles-based partner in Dickstein Shapiro’s Intellectual Property Practice who focuses on litigation. He is also head of Dickstein Shapiro’s Intellectual Property Practice on the West Coast. For the past 30 years, Mr. Dickerson has been first- and second-chair in many evidentiary hearings and judge and jury trials involving patent, trademark, copyright, trade secrets, and franchise cases. He has litigated in state and district courts throughout the United States, including the International Trade Commission and the Trademark Trial and Appeal Board, and he has argued numerous appeals to state and federal appellate courts and state supreme courts.

**Donald Gregory** is a partner in the Intellectual Property Practice and has more than 30 years of experience in the field. He runs an active intellectual property counseling practice, which involves advising clients on the development, procurement, utilization, management, protection, and enforcement of their intellectual property rights, and on the establishment of company intellectual property programs and defensive strategies. In addition, Mr. Gregory maintains a strong focus on intellectual property licensing and acquisition. He has prepared and negotiated hundreds of agreements relating to patent, trademark, copyright, and trade secret licensing, product distribution, value-added reselling, joint development, consulting, and sponsored research.
Jon Grossman is a partner in the Intellectual Property Practice and practices in the areas of patent law, copyright law, and licensing work with a specialization in issues concerning computer software. He has significant commercial licensing experience encompassing all aspects of contracting, including inbound and outbound licenses, development agreements, Internet contracting, and copyright related agreements. Mr. Grossman also provides clients a full range of IP counseling with a business focus in the areas of strategic acquisitions, outsourcing, and joint ventures and enforcement. Additionally, he works closely with clients in obtaining financing from venture capitalists.

Marla Kanemitsu is a partner in the firm’s Insurance Coverage Practice and represents individuals and corporate policyholders in every facet of insurance recovery, from claim investigation to litigation in state and federal courts. Her experience includes counseling clients in matters involving coverage for mass tort liabilities, directors’ and officers’ liability, first-party property damage, business interruption losses, product recall losses, employers’ liability and advertising injury coverage, as well as obtaining coverage from insurers in insolvency and solvent scheme of arrangement proceedings. In addition to her insurance work, Ms. Kanemitsu has extensive experience representing clients in class action and other complex litigation involving consumer products and services. She is admitted before the U.S. Supreme Court, U.S. Court of Appeals for the Third Circuit, the U.S. District Court for the Northern District of Illinois, and the U.S. Court of International Trade.

Richard LaCava is a partner in the Intellectual Property Practice and practices in all aspects of intellectual property law with particular emphasis on the procurement and enforcement of intellectual property rights, the preparation of patent infringement and validity opinions, and client counseling on intellectual property matters. His experience covers many areas of technology and includes mechanical, electro-mechanical, medical devices, and materials engineering, semiconductor manufacture and related materials and processes, chemical engineering, chemical formulations, business methods and financial systems, computer and information technologies, and computer hardware and software. Mr. LaCava’s practice also encompasses trademark and copyright procurement and enforcement.

Michael S. Marcus is a partner in the firm’s Intellectual Property Practice and focuses on infringement, validity, and right to use opinions in the chemical, biotechnology, and medical instrument technologies. He also counsels clients on all aspects of patent prosecution matters with an emphasis on re-examination, reissue, and petition procedures.

Mike Tomasulo is a partner in Dickstein Shapiro’s Intellectual Property Practice and focuses on high stakes intellectual property litigation and the quick and efficient achievement of the client’s goals. His patent cases have involved a variety of technology, including flash memory controllers, Internet search and database management technology, software patents, gamma ray inspection equipment, high-brightness LEDs, computer hardware emulation, mechanical equipment, medical devices, and biotechnology. Mr. Tomasulo’s recent patent litigation representations include patent litigation in the Eastern District of Texas, patent litigation involving Internet and software patents, and patent litigation involving large joint defense groups. Mr. Tomasulo has also been lead counsel or co-lead counsel in numerous trade secret, copyright, and trademark litigations, as well as in two breach of contract arbitrations, including an international dispute litigated simultaneously in Canada and in the United States before the International Center for Dispute Resolution.
Stephanie Wade is a partner in the Intellectual Property Practice and focuses on trademark, unfair competition, and copyright law. She has more than 25 years of experience in counseling clients from the U.S. and abroad in all aspects of trademark practice including selection, searches and opinions, registration, licensing, enforcement, due diligence in corporate acquisitions, and Internet issues. Ms. Wade represents numerous pharmaceutical, medical technology, and biotechnology companies. She is familiar with the unique trademark issues faced by pharmaceutical companies, such as the approval by the FDA and the EMEA required for use, and foreign regulations restricting the use of trademarks. Moreover, Ms. Wade is involved in the selection and international clearance of marks for new product launches.

Stephen J. Gombita is an associate in Dickstein Shapiro’s Intellectual Property Practice. His practice focuses on patent litigation, patent prosecution, and opinion work. Mr. Gombita received his B.S. in chemical engineering from Virginia Tech (2008). He received his J.D., magna cum laude, from The University of Akron (2012), where he served as a production editor of the Akron Law Review. During law school, Mr. Gombita also served as a judicial extern to the Honorable Christopher A. Boyko of the Northern District of Ohio.

Jessica L. Hubley, CIPP, is a Silicon Valley-based associate in Dickstein Shapiro’s Intellectual Property Practice. She handles transactional matters and day-to-day client representation for emerging technology companies, with a particular focus on privacy, Internet and social media commerce, IP and technology transactions and strategy, and commercial contracts. Her privacy work includes compliance advice regarding applicable federal and state privacy laws and regulations as applied to clients’ particular technologies as well as representation in civil privacy suits. Ms. Hubley has handled matters for clients in a variety of industries, including Internet and digital media, communications, hospitality, information technology, and software.

Kimberly Parke is an associate in Dickstein Shapiro’s Intellectual Property Practice and focuses on patent litigation, including investigations at the International Trade Commission. Ms. Parke was a member of the trial team that obtained a $593 million judgment on behalf of the firm’s client in Saffran v. Johnson & Johnson and Cordis Corp., a patent infringement case involving biomedical stents which was tried in the Eastern District of Texas. She was also part of the trial team in Saffran v. Boston Scientific, a case involving the same client which resulted in a favorable $501 million judgment in 2008.

Assad H. Rajani is a Silicon Valley-based associate in Dickstein Shapiro’s Intellectual Property Practice. His practice focuses on patent litigation with an emphasis on biotech and high-technology matters. Mr. Rajani earned his J.D. from the University of California – Berkeley School of Law (Boalt Hall) (2007). While in law school, Mr. Rajani received American Jurisprudence Awards for his work in Boalt Hall’s Law & Technology writing seminar and its Intellectual Property Scholarship seminar.

James Ryerson is an associate in the Intellectual Property Practice and primarily focuses on intellectual property procurement and litigation, including patent, copyright, and trademark matters. Mr. Ryerson has an extensive technical background in manufacturing processes, including packaging, automation, die cutting, and machining. Additionally, he has handled patent matters involving energy metering technology, packaging, and ecommerce.

Richard Tuminello is a Los Angeles-based associate in Dickstein Shapiro’s Intellectual Property Practice. Mr. Tuminello focuses his practice on patent prosecution, technology business
development, and IP litigation. He has provided legal services for large media, technology, and manufacturing companies with regard to industrial and consumer electronics, mechanical systems, and software.

**Prior Contributors:**

- Laurence E. Fisher, Counsel
- Edward A. Meilman, Partner
- Charles E. Miller, Partner
- Bradley J. Olson, Counsel
- Stephen A. Soffen, Partner
- Salvatore P. Tamburo, Partner
XVI. Additional Resources

A. ACC Sources

I. Docket Articles


Jennifer L. Elgin & Paul Mamalian, “Internet Confidential: Setting Up an Effective Trademark Enforcement Program on the Internet,” ACCA Docket (May 2005), available at...


For more ACC InfoPAKs, please visit http://www.acc.com/infopaks


2. Program Materials


Clifford Borg-Marks, Oliver Jan Jungst, Philippe Makrogiannis & Li Westerlund, “


B. Law Review Articles and Publications


C. Online Resources


Federal Register: http://www.gpoaccess.gov/nara/index.htm

U.S. Copyright Office: http://www.copyright.gov/

U.S. Court of Appeals for the Federal Circuit: http://www.fedcir.gov/


XVII. Sample Invention Disclosure Form

INVENTION DISCLOSURE RECORD

(Use additional sheets if needed)

TITLE OF INVENTION: ___________________________________________________

INVENTOR(S):

Name __________________________________________
Ph. no. W.____________ H.____________
Mailing address _______________________________________________________
Place of residence (city or county, and state) _____________________________
Citizenship _________

Name __________________________________________
Ph. no. W.____________ H.____________
Mailing address _______________________________________________________
Place of residence (city or county, and state) _____________________________
Citizenship _________

Name __________________________________________
Ph. no. W.____________ H.____________
Mailing address _______________________________________________________
Place of residence (city or county, and state) _____________________________
Citizenship _________
BRIEF DESCRIPTION OF THE INVENTION

Provide a brief description of your invention in your own words, following the outline given below. Sketches, prints, photos, and other illustrations, as well as reports of any nature, related to the invention should be included and referred to in this brief description.

State in general terms the purpose and objects of the invention. (b) Describe old constructions and/or methods of performing the function of the invention. (c) Indicate the disadvantages of the old constructions and/or methods. (d) Describe the construction operation and/or preparation of your invention, showing the changes, additions, and improvements over what has been done before. (e) State the advantages of your invention over what has been done before. (f) State any unexpected results. (g) Indicate the best known construction, operation, and/or preparation of your invention, and any alternates. (h) If a joint invention, indicate what contribution was made by each inventor. (i) State your opinion of the relative value of the invention.

CONCEPTION OF THE INVENTION

Date of first drawings ______________

Where can the drawings be found? ______________

Date of first written description ______________

Where can the description be found? ______________

Date of first disclosure to others (oral or written) _________

To whom? __________________________

Date of first disclosure to others outside the company (oral or written) __________________________

To whom? __________________________
FIRST CONSTRUCTION OF APPARATUS, COMPLETION OF PROCESS, OR PREPARATION OF COMPOSITION:

Date completed ___________

Was prototype made? ______

By whom made? ___________________________

Where can the prototype be found? __________________________

TEST OF APPARATUS, PROCESS, OR COMPOSITION:

Date ______________

Witness(es) ___________________________

Results ___________________________

CONTRACTS

Was the invention conceived, built, or tested during performance of a third-party or Government contract? ___________________________

Provide details and contract number
_____________________________________________________

DISCLOSURE OR SALE

Has invention been disclosed to any third person or entity, sold or offered for sale?
Yes _____ No _____

Date of first disclosure _______________

To whom? ___________________________

Date of first sale _______________

To whom? ___________________________

Date of first offer for sale _______________

To whom? ___________________________
USE

Has invention been used? Yes _____ No _____

Date of first use ________________

Describe the first use and any plans for its use in near future
_______________________________________________________________________________________

RELATED USES, DISCLOSURES, PUBLICATIONS (INCLUDING ARTICLES AND SALES LITERATURE), PATENTS, PATENT APPLICATIONS:
_______________________________________________________________________________________
_______________________________________________________________________________________
_______________________________________________________________________________________

After the disclosure is completed, it should be signed and dated by the inventor(s) and then read, signed, and dated by two witnesses in the space provided below and also at the bottom of each additional sheet of the brief description.

Signed:

_________________________________ Date _________________
Inventor

_________________________________ Date _________________
Inventor

_________________________________ Date _________________
Inventor

Read and Understood by:

_________________________________ Date _________________ Witness

_________________________________ Date _________________ Witness
XVIII. Current PCT, EP, and Madrid Convention Countries

A. PCT Countries (as of May 1, 2012)
B. European Patent Convention Member States (as of June 28, 2012)

- Albania
- Austria
- Belgium
- Bosnia
- Bulgaria
- Croatia
- Czech Republic
- Cyprus
- Denmark
- Estonia
- Finland
- France
- Former Yugoslav Republic of Macedonia
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Liechtenstein
- Luxembourg
- Latvia
- Malta
- Monaco
- Netherlands (Holland)
- Norway
- Poland
- Portugal
- Romania
- San Marino
- Serbia
- Slovenia
- Slovak Republic
- Spain
- Sweden
- Switzerland
- Turkey
- United Kingdom
C. Madrid Protocol and/or Agreement Members (as of January 13, 2012)

- Albania
- Algeria
- Antigua
- Armenia
- Australia
- Austria
- Azerbaijan
- Bahrain
- Belarus
- Belgium
- Bhutan
- Bosnia and Herzegovina
- Botswana
- Bulgaria
- China
- Croatia
- Cuba
- Cyprus
- Czech Republic
- Democratic People’s Republic of Korea
- Denmark
- Egypt
- Estonia
- European Community
- Finland
- France
- Georgia
- Germany
- Ghana
- Greece
- Hungary
- Iceland
- Iran
- Ireland
- Israel
- Italy
- Japan
- Kazakhstan
- Kenya
- Kyrgyzstan
- Latvia
- Lesotho
- Liberia
- Liechtenstein
- Lithuania
- Luxembourg
- Madagascar
- Monaco
- Mongolia
- Montenegro
- Morocco
- Mozambique
- Namibia
- Netherlands
- Norway
- Oman
- Poland
- Portugal
- Republic of Korea
- Republic of Moldova
- Romania
- Russian Federation
- San Marino
- Sao Tome and Principe
- Serbia
- Sierra Leone
- Singapore
- Slovakia
- Slovenia
- Spain
- Sudan
- Swaziland
- Sweden
- Switzerland

- Syria
- Tajikistan
- Former Yugoslav Republic of Macedonia
- Turkey
- Turkmenistan
- Ukraine
- United Kingdom
- United States of America
- Uzbekistan
- Vietnam
- Zambia
XIX. Endnotes

5 7 U.S.C. § 2321 et seq.
15 Id.
16 Id.
17 Id.
18 Id.
21 It is important to be aware of the local rules that many jurisdictions have regarding patent cases (e.g., the Northern District of California and the Eastern District of Texas). These rules, as well as the docket backlog, can make one forum more attractive to a party than another forum.
22 Not all recent Supreme Court patent opinions are antipatent. See the landmark decision in Microsoft v. i4i LP, 131 S. Ct. 2238 (June 9, 2011), confirming that a heavy burden of persuasion – by clear and convincing evidence – confronts those seeking to invalidate U.S. patents in court.

25 See, e.g., Womack v. Durham Pecan Co., 715 F.2d 962 (5th Cir. 1983).
26 See Lane & Bodley Co. v. Locke, 150 U.S. 193 (1893); Cal. E. Labs., Inc. v. Gould, 896 F.2d 400 (9th Cir. 1990); Neon Signal Devices v. Alpha-Claude Neon Corp., 54 F.2d 793 (W.D. Pa. 1931).
33 Bilski v. Kappos, 130 S. Ct. 3218 (2010); see also Prometheus Labs., Inc. v. Mayo Collaborative Servs., 628 F.3d 1347 (Fed. Cir. 2010) (laws of nature in medical diagnostic claims are unpatentable).
34 The PTO Web site, www.uspto.gov, contains a searchable list of licensed U.S. patent lawyers, laws, regulations, and other useful materials, as well as other searchable databases for issued patents, published patent applications, and trademark applications and registrations.
149


http://www.uspto.gov/web/patents/accelerated/.


See, e.g., In re Seagate Tech., LLC, 497 F.3d 1360 (Fed. Cir. 2007) (overruling precedent requiring an affirmative duty of due care with regard to patent rights of others and holding that, in order to establish willfulness a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent).


Microsoft v. idt LP, 131 S. Ct. 2238 (June 9, 2011).

Cf. id.; the patentee bears the burden of proving infringement by a preponderance of the evidence.

Ariad Pharm. v. Eli Lilly & Co., 598 F.3d 1336 (Fed. Cir. 2010).


Prometheus Labs., Inc. v. Mayo Collaborative Servs., 628 F.3d 1347 (Fed. Cir. 2010).


19 U.S.C. § 1337(e).


For more information on the different types of trademarks, see McCarthy on Trademarks and Unfair Competition (hereinafter McCarthy) §§ 7.9-7.52.

See McCarthy Chapters 2 & 3.

See McCarthy Chapter 11 (“The Spectrum of Distinctiveness”).


See McCarthy Chapter 15.

See McCarthy §§ 12:20-12:22.

See McCarthy Chapter 30.

See McCarthy Chapter 23.

For more information on such a company, see www.thomson-thomson.com.


One such group is Kelly Pioneer Group, Inc., www.kellypioneer.com.

See McCarthy Chapter 19.


See McCarthy §§ 12:26-12:36.


Note that live broadcasts of sporting events are afforded protection when recorded simultaneously. 17 U.S.C. § 101. However, this protection extends only to the broadcast itself and not the underlying event. See Nat’l
prototypes, methods, techniques, processes, procedures, formulas, designs, engineering information, including patterns, plans, financial, business, scientific, technical, etc.

115

114

113

112

111

110

109

108

107

106

105

104

103

102

101

100

99

98

97

96

95

94

93

92

91

90

89

88

87

86

85

84

83

82

81

80

79

78

77

76

75

74

73

72

71

70

69

68

67

66

65

64

63

62

61

60

59

58

57

56

55

54

53

52

51

50

49

48

47

46

45

44

43

42

41

40

39

38

37

36

35

34

33

32

31

30

29

28

27

26

25

24

23

22

21

20

19

18

17

16

15

14

13

12

11

10

9

8

7

6

5

4

3

2

1

See www.customs.gov.


117 I-I Milgrim on Trade Secrets § 1.01[2][a] (2011) (“Information is readily ascertainable if it is available in trade journals, reference books, or published materials.”).


119 See, e.g., E.I. du Pont de Nemours & Co. v. Christopher, 431 F.2d 1012 (5th Cir. 1970) (holding that reasonable secrecy does not require companies to protect their plant construction sites from airplane reconnaissance corporate espionage).

120 Restatement (First) of Torts § 757 cmt. b (1939) ("Novelty and invention are not requisite for a trade secret as they are for patentability."); Restatement (Third) of Unfair Competition § 39 (1995) ("Novelty in the patent law sense is not required.").


The Economic Espionage Act, modeled after the UTSA, defines trade secrets as: “all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if, (a) the owner thereof has taken reasonable measures to keep such information secret; and (b) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by the public.” 18 U.S.C. § 1839(3).

115 Basketball Ass’n v. Motorola, Inc., 105 F.3d 841 (2d Cir. 1997).

108 See www.copyright.gov/newsnet.


105 See id. at 942-49 (Ginsburg, J., concurring); see also Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).


103 The best edition if first published in the United States on or after January 1, 1978; otherwise, as first published.

102 See www.copyright.gov.


100 An offering to distribute copies to a group of persons for purposes of further distribution, public performance, or public display, also constitutes publication.


109 Massachusetts, New York, and Texas have not codified the UTSA. As of April, 2012, a bill was before the Massachusetts House of Representatives for its adoption.

111 Restatement (First) of Torts § 757 cmt. b (1939).


109 Courtesy Temp. Serv., Inc. v. Camacho, 272 Cal. Rptr. 352, 357-58 (Ct. App. 1990) (“If a customer list is acquired by lengthy and expensive efforts which, from a negative viewpoint, indicate those entities that have not subscribed to plaintiff's services, it deserves protection as a ‘trade secret’ under the Act.”); see also Pixon Imaging, Inc. v. Empower Techs. Corp., No. 11-CV-1093-JM (MDD), 2011 WL 3739529 (S.D. Cal. Aug. 24, 2011) (Plaintiff argued defendant committed trade secret misappropriation by using its knowledge of plaintiff's algorithms as “negative know-how.”).


113 Courtesy Temp. Serv., Inc. v. Camacho, 272 Cal. Rptr. 352, 357-58 (Ct. App. 1990) (“If a customer list is acquired by lengthy and expensive efforts which, from a negative viewpoint, indicate those entities that have not subscribed to plaintiff's services, it deserves protection as a ‘trade secret’ under the Act.”); see also Pixon Imaging, Inc. v. Empower Techs. Corp., No. 11-CV-1093-JM (MDD), 2011 WL 3739529 (S.D. Cal. Aug. 24, 2011) (Plaintiff argued defendant committed trade secret misappropriation by using its knowledge of plaintiff's algorithms as “negative know-how.”).


111 Restatement (First) of Torts § 757 cmt. b (1939) ("Novelty and invention are not requisite for a trade secret as they are for patentability."); Restatement (Third) of Unfair Competition § 39 (1995) ("Novelty in the patent law sense is not required.").

110 The Economic Espionage Act, modeled after the UTSA, defines trade secrets as: “all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if, (a) the owner thereof has taken reasonable measures to keep such information secret; and (b) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by the public.” 18 U.S.C. § 1839(3).
ITC LEXIS 1011, at *62.
LEXIS 1226, at *17 (footnotes omitted).
Surgery, 2000 ITC LEXIS 488, at *41
Representative.  70 Fed. Reg. 43,251 (July 26, 2005).
disapprove ITC exclusion orders to the U.S. Trade
http://www.cbp.gov/linkhandler/cgov/trade/priority_trade
“The mission of the [ITC] is to: (1) administer U.S.
mandate in a fair and
goaldientely manner; (2) provide the President, the United
States Trade Representative (USTR), and Congress
with independent, quality analysis, information, and
support on matters relating to tariffs and international
trade and competitiveness; and (3) maintain the
Harmonized Tariff Schedule of the United States.  In so
doing, the Commission serves the public by
implementing U.S. law and contributing to the
development of sound and informed U.S. trade policy.”
19 U.S.C. § 1337(e).
In 2005, the President delegated the authority to
disapprove ITC exclusion orders to the U.S. Trade
Representative.  70 Fed. Reg. 43,251 (July 26, 2005).
Certain Excimer Laser Sys. for Vision Correction
Certain Stringed Musical Instruments, 2007 ITC
LEXIS 1226, at *17 (footnotes omitted).
Certain Battery-Powered Ride-On Toy Vehicles, 1991
ITC LEXIS 1011, at *62-63.
19 C.F.R. § 210.12(c).
19 C.F.R. § 210.12(d)-(h).
19 C.F.R. § 210.10(a).
Certain Vacuum Packaging Machs., 2003 ITC LEXIS
790, at *86 (citing Certain Hot Air Corn Poppers,
1981 WL 178600 (“The International Trade
Commission . . . is given nationwide subpoena powers.”
(alteration in original)).
19 C.F.R. § 210.32(g).
See J. Schlicher, Patent Law: Legal and Economic
Principles (West Group, 2d ed. 2000).
Based on a survey of 130 corporate IP department
heads conducted by the American Intellectual Property
Law Association, respondents reported an average IP
Budget for 2010 of $6.8 million, not including
enforcement costs (which, as will be discussed, can be
Survey I-88 (July 2011).
Leahy-Smith America Invents Act, Pub. L. No. 112-29,
§ 11(i) (2011) (the 15% fee increase took effect on
September 26, 2011).
Id. § 10(a).
See Patents Examination, The United States Patent and
Trademark Office,
Id.
Id.
Leahy-Smith America Invents Act, Pub. L. No. 112-29,
§§ 6, 18 (2011).  Sections 6 and 18 of the AIA
provided for the creation of Inter Partes Review, Post-
Grant Review, and a Transitional Program for Covered
Business Method Patents – various proceedings
whereby a party may challenge the validity of an issued patent.
According to the 2011 AIPLA Report of the Economic
Survey, the mean cost of an Inter Partes Reexamination,
which is being phased out and replaced with Inter
Partes Review, is $161,000 inclusive of appeal to the
Board of Patent Appeals and Interferences.  AIPLA,
(July 2011).  Subtracting out the mean cost of $46,000
for filing the request, which would be borne by the petitioner, leaves a cost of $115,000 for litigating the remainder of the proceeding. The study does not distinguish between costs for the petitioner and costs for the patentee, but it is likely that both parties would incur similar costs.

159 A plaintiffs’ ability to join defendants in patent cases was recently curtailed by enactment of the Leahy-Smith America Invents Act, which mandates that accused infringers may be joined in a single action “only if (1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and (2) questions of fact common to all defendants or counterclaim defendants will arise in the action.” Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 19, 125 Stat. 284 (codified as 35 U.S.C. § 299 (2011)). Accusations of infringement with respect to a common patent, without more, are insufficient for joinder. 35 U.S.C. § 299(b).


161 United States patent law provides a single exception, codified in 35 U.S.C. § 271(f), for components supplied from the United States for “combination” abroad. Congress enacted this exception to close a loophole in the law that allowed infringers to export components for assembly abroad. See Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 528 (1972) (holding unassembled machines could not infringe under existing law because the right to exclude granted by the patent applied only to the “operable assembly of the whole and not the manufacture of its parts”). A recent Supreme Court case, Microsoft Corp. v. AT&T Corp., 550 U.S. 437 (2007), examined the applicability of this section of the law to computer software. The Court held that computer software is similar to a blueprint, and though “[it] may contain precise instructions for the construction and combination of the components of a patented device,” the software is not a component unless it is “expressed as a computer-readable ‘copy,’ e.g., on a CD-ROM.” Id. at 449-50; see also NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282 (Fed. Cir. 2005) (citing Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518 (1972), holding use of domestic devices with a system partially operating abroad did not constitute infringement under § 271(f)).


163 The deadline for filing a design patent application, rather than a utility or plant application, is six months after filing of the priority application.

164 The EPO also has a branch at The Hague, The Netherlands (Article 6, EPC), where the Receiving Section and the Search Divisions are located. The Examining and Opposition Divisions as well as the Boards of Appeal are located in Munich, Germany.

165 The EPC is separate from the European Union, and its membership is different. Thus, EU members have long debated implementing European Community Patents to provide for patent protection across the European Union based on a single patent application, enforceable in any European Union country. Though the measure was stalled for several years, as of May 2012, the European Commission is attempting to move forward and the European Parliament is scheduled to vote on EU patent in its June 2012 meeting. See http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?id=590965 (last accessed June 8, 2012).

166 Note the difference from the PCT, where the applicant must be a resident or national of a PCT state.

167 The EPC allows patentability for any invention susceptible of industrial application that is new and involves an inventive step.

168 Some U.S. applicants file a PCT application at 12 months designating the EPO, JP, CA, etc., and then enter the regional phase at 31 months instead of filing directly with the EPO at 12 months. At the 31-month entry point, note that one does not need “the request for grant” but rather a form for regional entry.

169 The London Agreement, ratified in 2008, and proposed by several Contracting States in 2000, would eliminate the translation requirement for countries having an official language in common with an official language of the European Patent Office (English, French, and German). As of January 27, 2012, however, only 18 of 38 EPC countries have adopted the London Agreement. Thus, translation costs for the other EPC countries remain a major cost and concern for European patent applicants.

170 In some countries, it may be possible to file a national application after the priority year has passed if benefit of the U.S. priority date is not claimed. Depending on the local patent law, such filing will usually be limited to cases in which there was no public disclosure or publication of the invention.
Even where a permanent injunction is justified, the Federal Circuit is apt to stay the injunction pending the resolution of appeals. See, e.g., Finisar Corp. v. DirecTV Grp., Inc., No. 1:05-CV-264, 2006 WL 2699732 (E.D. Tex. Aug. 04, 2006) (holding no irreparable harm because patentee never made an attempt to practice the patented technology and compulsory license adequately compensated patentee).

The USPTO began accepting Madrid Protocol applications on November 2, 2003. Other member countries are listed in Section XVI.

Applicants may only designate Contracting Parties to the Protocol. Not all members of the original Madrid Agreement are Contracting Parties.

For more information, see oami.europa.eu.

This list does not constitute an endorsement or recommendation by Dickstein Shapiro LLP.

“Advertising injury” coverage was first offered as an endorsement to the standard form CGL policy. It was included in the 1981 so-called “broad form” endorsement. The 1981 version of advertising injury coverage is rarely at issue for contemporary IP claims and is not addressed in this Section.

ISO also issued a new CGL policy form in 2007. The 2007 amendments did not substantively affect the scope of advertising injury coverage under CGL Coverage B.


See, e.g., State Auto Prop. & Cas. Ins. Co. v. Travelers Indem. Co. of Am., 343 F.3d 249, 255-58 (4th Cir. 2003) (holding that the trademark infringement at issue qualified as misappropriation of an advertising idea); CAT Internet Servs., Inc. v. Providence Wash. Ins. Co., 333 F.3d 138, 141-43 (3d Cir. 2002) (holding that trademark infringement constituted misappropriation of advertising idea or style of doing business); Cincinnati Ins. Co. v. Zen Design Grp., Ltd., 329 F.3d 546 (6th Cir. 2003) (holding that alleged trademark infringement claim fell within scope of “slogan” infringement); see also Ernest Martin, Jr., et al., Insurance Coverage for the New Breed of Internet-Related Trademark Infringement Claims, 54 SMU L. Rev. 1973, 1994 (2001) (“[T]he vast majority of courts have concluded that trademark infringement falls within the meaning of ‘misappropriation of advertising ideas or style of doing business’.”).

See, e.g., Bay Elec. Supply, Inc. v. Travelers Lloyds Ins. Co., 61 F. Supp. 2d 611, 618 (S.D. Tex. 1999) (holding that allegations of “mark[ing] infringing reproductions to deceive the public as to source” left “no doubt” that the complaint accused the policyholder “of engaging in unlawful advertising activity”); J.A. Brundage Plumbing & Roto-Rooter v. Mass. Bay Ins. Co., 818 F. Supp. 553, 557 (W.D.N.Y. 1993), vacated by reason of settlement, 153 F.R.D. 36 (W.D.N.Y. 1994) (“Trademark or tradename infringement . . . necessarily involves advertising, or use, of the mark or name to identify the merchant’s goods or services. . . . [I]t is not possible to allege a claim for trademark, servicemark or trade name infringement without the infringing mark being used to identify the goods or services to the public. This qualifies as advertising under [dictionary definition].”).
trademark “easily qualifies as an ‘advertising idea’” and upholding coverage under 1998 CGL form).


See DISH Network Corp. v. Arch Specialty Ins. Co., 659 F.3d 1018, 1020 (10th Cir. 2011) (holding that “patent infringement can qualify as an advertising injury if the patent involves any process or invention which could reasonably be considered an ‘advertising idea’”) (internal quotation marks and citation omitted); Hyundai Motor Am. v. Nat’l Union Fire Ins. Co. of Pittsburgh, PA, 600 F.3d 1092, 1100-02 (9th Cir. 2010) (same) (citing Mez Indus., Inc. v. Pac. Nat’l Ins. Co., 90 Cal. Rptr. 2d 721, 733 (Ct. App. 1999)).

Hyundai Motor Am., 600 F.3d at 1100-02.

For additional discussions of this topic, see Gauntlett, supra note 179, at Chapter 17; Melvin Simensky & Eric C. Osterberg, The Insurance and Management of Intellectual Property Risks, 17 Cardozo Arts & Ent. L.J. 321 (1999) (hereinafter Simensky and Osterberg).


See Simensky and Osterberg, supra note 182.