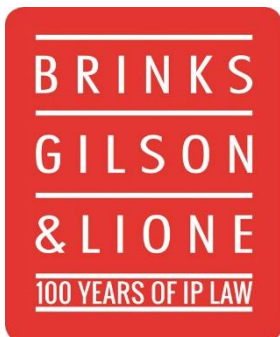


Intellectual Property Virtual Happy Hour

Presentation to
**Association of Corporate Counsel
Chicago Chapter**

July 22, 2020

www.brinksgilson.com



Presented by
André Frieden, William Frankel
and Virginia Marino
Moderated by
Andrew Avsec



CLE and Q&A Information

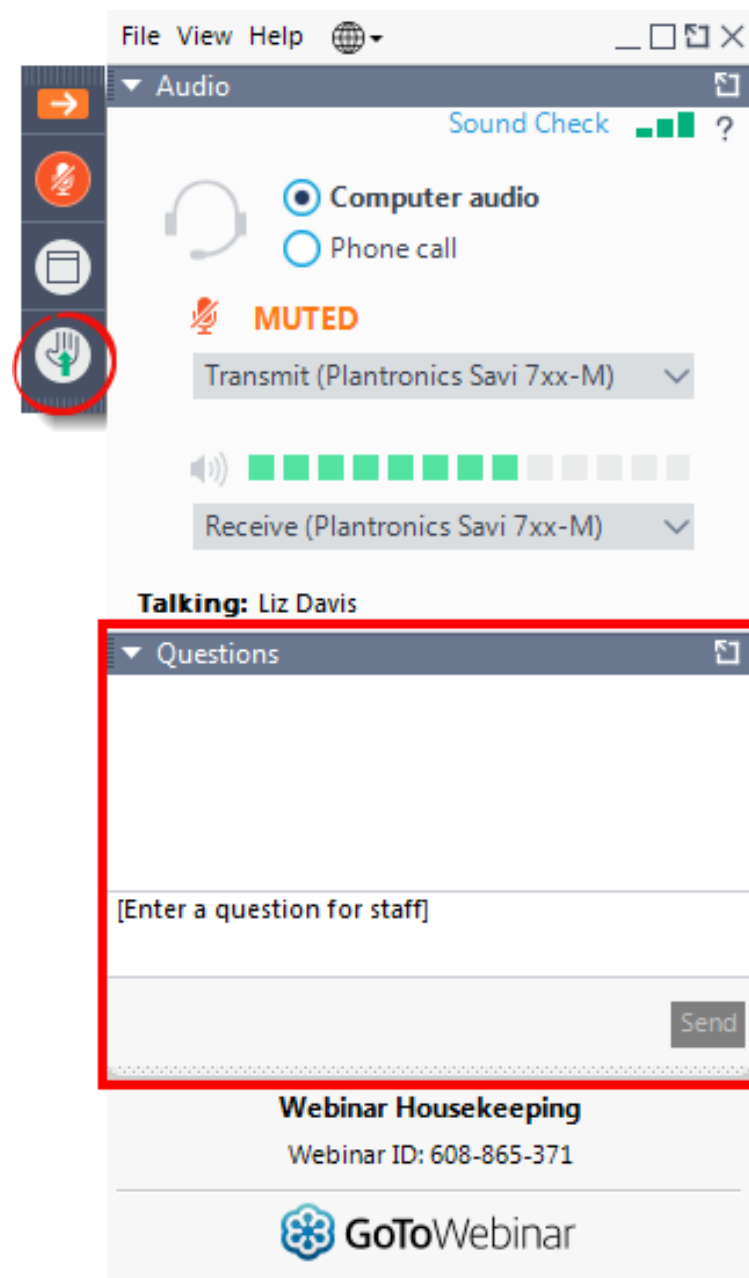
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Agenda

- Introductions
- Trademark Licensing
- IT Licensing
- Copyright Licensing
- Questions/Discussion

Presenters

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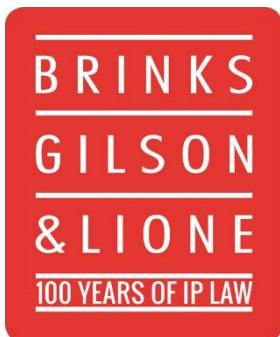
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Trademark Licensing Basics

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Trademark Basics

- **In the United States, a trademark can be any word, name, symbol or device that identifies the source of the good or service**
 - Words
 - Logos
 - Sounds
 - Colors
 - Scents
 - Three dimensional shapes
 - Building shapes



When To Consider A Trademark License?

- Brand expansion
- Co-branding
- Settlement and license back



Written Licenses Are Recommended, Not Required

- Oral licenses can be problematic
- Course of dealing may create an implied license



Trademark License Considerations

- Parties
- Trademarks and associated products or services
- Granting Clause
- Requirements as to correct trademark usage and explanatory legends
- Trademark policing
- Royalties/license fee
- Quality control requirements
- Term
- Territory
- Assignability
- Indemnification
- Termination rights



Quality Control Requirements

- Failure to exercise control → mark misrepresents connection of goods/services with the trademark owner
- Uncontrolled licensing deceives public and may harm trademark owner
- Naked licensing
- Related companies doctrine 15 USC §1055
 - Adequate quality control → “related company”
 - Parent and subsidiary
 - Applicant/registrant + no deception + related company

Quality Control?

- *Barcamerica Intern. v. Tyfield Importers, Inc.*, 289 F.3d 589 (9th Cir. 2002)
- Barcamerica owns incontestable registration for DA VINCI for wine; licensed mark to third party
- No quality control provision in license; informal tasting of wine and winemaker reputation
- Poll Question: Is this a naked license?



Polling Results: *Barcamerica*

- Poll Question: Is Barcamerica's license agreement a naked license?
 - YES!
- No knowledge or reliance on actual quality controls used by licensee; no ongoing effort to monitor quality; no close working relationship
- Consider industry practice



Quality Control?

- *FreecycleSunnyvale v. Freecycle Network*, 626 F.3d 509 (9th Cir. 2010)
- No express contract
 - “Keep it Free, Legal and Appropriate for All Ages”
 - No commercial use email
 - Etiquette guidelines
 - Freecycle Ethos
- Poll Question: Is this a naked license?



Polling Results: *Freecycle*

- Poll Question: Is this a naked license?
 - YES!
- No actual control over members
- No close working relationship
- Demonstrate actual control through supervision and inspection



Related Companies?

- *Noble House Home Furns. LLC v. Floorco Ents. LLC*, 118 USPQ2d 1413 (TTAB 2016) [precedential]
- Registered mark NOBLE HOUSE owned by Floorco, a subsidiary of Furnco, but Furnco used the mark
- No express agreement; no quality control
- Poll Question: Are Floorco and Furnco “related companies”?



Polling Results: *Noble House*

- Poll Question: Are Floorco (subsidiary and registrant) and Furnco (parent and user of the mark) related companies?
 - NO!
- Furnco is not a “related company” because its activities are not controlled by Floorco
- Make sure applications are filed in the name of the right entity
- Consider internal licenses if marks are being used by affiliated entities





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Managing IP Rights in IT Transactions

André Frieden, MS JD LL.M
Deputy General Counsel, Capgemini *

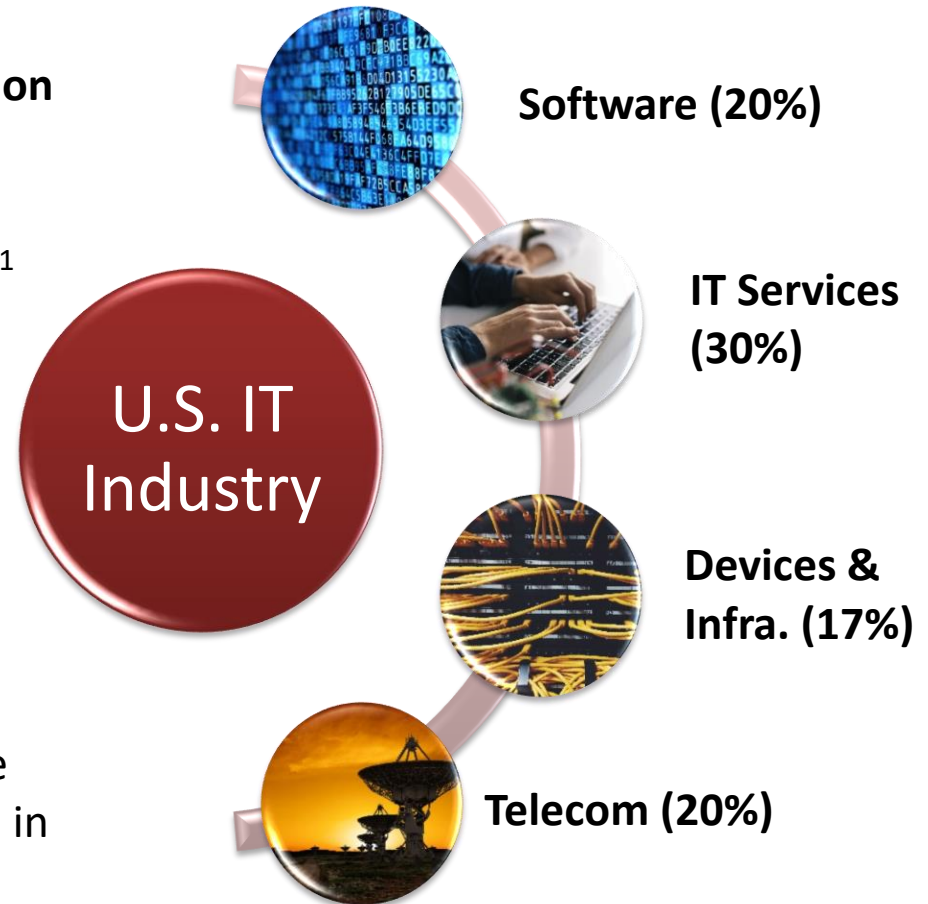
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IT Industry Trends

Where is IT headed?

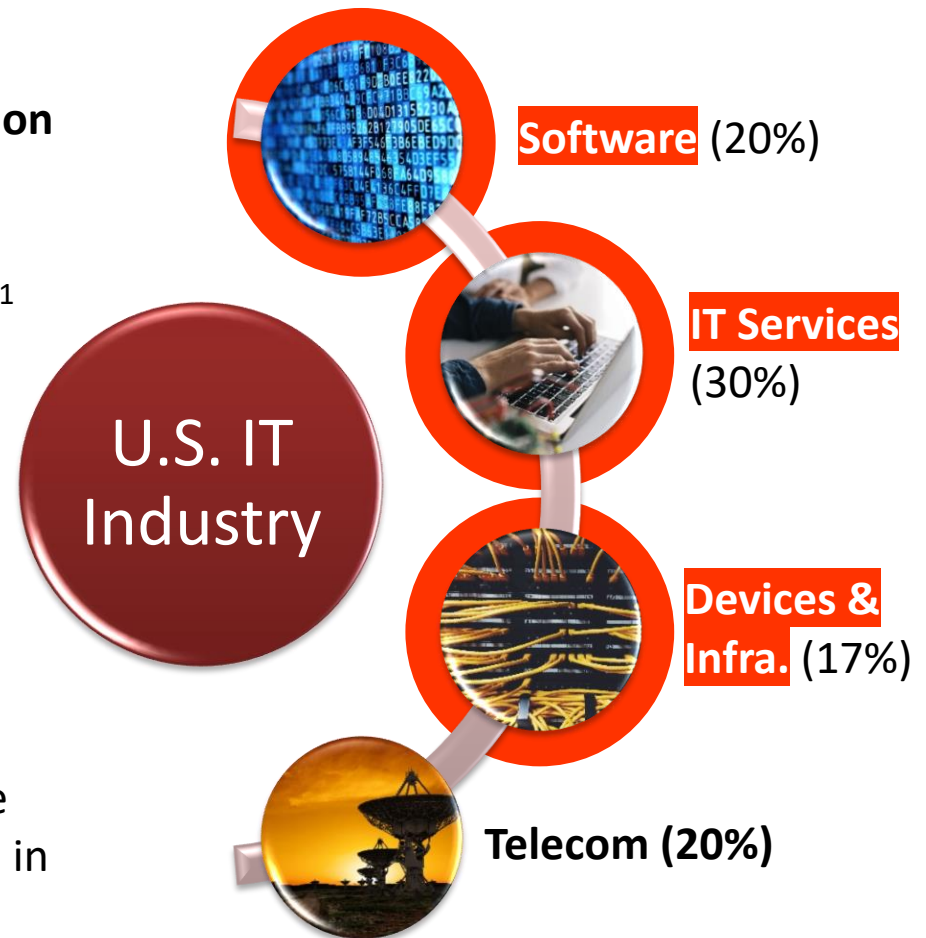
- Global IT industry forecast: **\$5.2 trillion** by 2020.¹
- Share of spend by region: **U.S. 32%** (APAC 32%; Europe 23%; LATAM 6%)¹
- 46% of growth is coming from emerging technologies.¹
- Covid-19 accelerated demand for cloud services, infrastructure, 5G network adoption/deployment and cybersecurity capabilities.²
- Worldwide cybersecurity spending: \$123.8 billion by 2020.³ (The average cost of a data breach is \$8.19 million in the U.S.)⁴



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IT Transactions

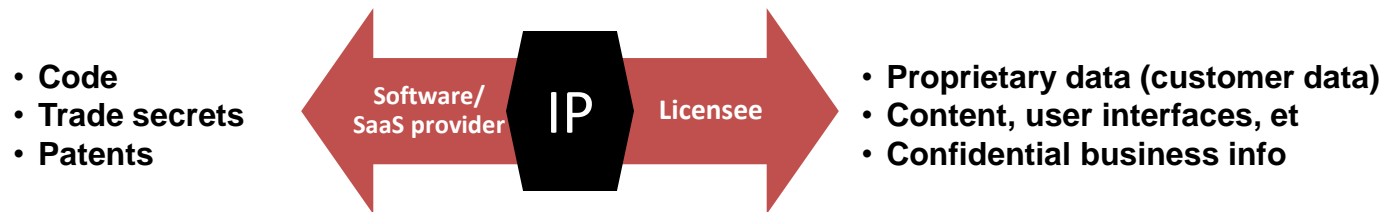
The market demands

- **Efficiency:**
 - Automating manual processes or improving existing ones
 - More capable and versatile use of portals, devices and IT infrastructure
 - Better user interfaces and customer experience
- **Cost reductions:**
 - Consolidation of platforms, systems and tools
 - Efficient resource usage
- Maintaining a **competitive edge** with the latest IT developments (e.g., blockchain, artificial intelligence, Cloud, IoT, Big Data/analytics, AR/VR, Robotics/drones, etc.)
- **Reducing risk** (improved cybersecurity, data management, IT services governance)
- **IP ownership** and **monetization** of software, data, IT systems, platforms and networks makes the IT industry innovative and robust

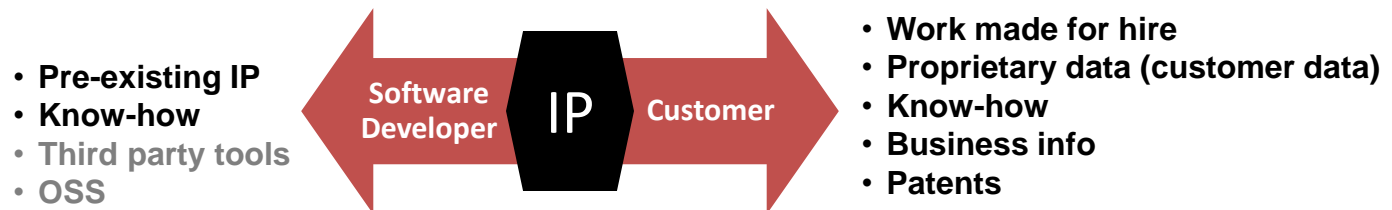
IT Transactions

Types of IT transactions that leverage IP

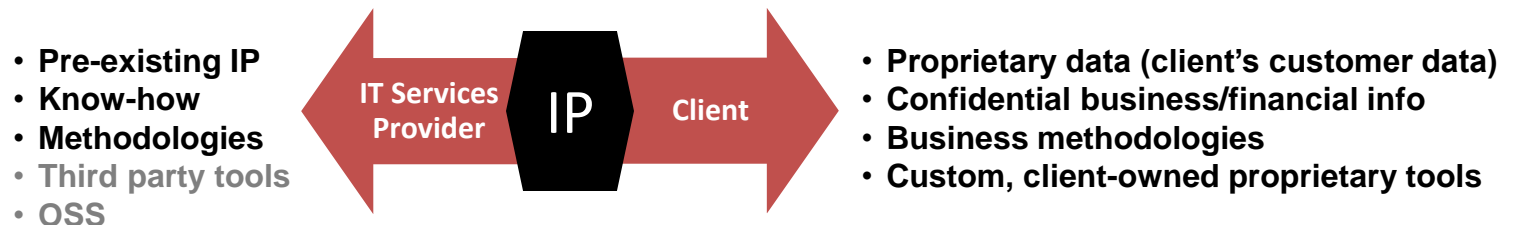
■ Software/Software-as-a-Service (SaaS) licenses



■ Software/applications development agreements



■ Various forms of IT outsourcing/managed services agreements



IT Transactions

Software/SaaS Provider vs.

- **Copyrights:**
 - Source code (human readable instructions in programming language)
 - Object code, APIs, graphical elements, design, manuals, etc.
- **License grant** (contractual)
- **Patents and trade secrets**

SaaS (vs. traditional software):

- No installation
- No access to source code
- Licensee/User access controls
- Term licenses
- Less customization

Licensee/User

- **Licensee use rights**
 - Type of license
 - Enterprise license, named-user, concurrent-use, etc.
 - Scope of use
 - IP indemnities
 - Audits and excess usage fees
- **Licensee proprietary data**
 - Limited license to Software/SaaS provider
 - Confidential business info
 - Licensee customer data
- **Warranties**
 - noninfringement
 - OSS disclosures

IT Transactions

IT Services Provider (Outsourcing) vs. Customer

- IP rights in complex outsourcing/managed services engagements
 - **IP rights in deliverables** (“work made for hire”)
 - Source & object code, algorithms, interfaces, databases—almost everything.
 - Burden on service provider to carve out its IP. Are there creative options?
 - Exclusivity and other restrictions (license to provider to perform services)
 - Access and use of **third party IP** (e.g., third party software/SaaS solutions, database subscriptions, other third party content, leased devices/hardware)
 - Who obtains and maintains these licenses?
 - Preexisting **service provider-owned IP** (e.g., tools, bots, methodologies)
 - What is an appropriate limited license? For how long?
 - Rights to **derivative works**
 - **Joint development** (investment, ownership and revenue sharing)
 - **IP indemnities/risk mitigation**
 - Related rights (domain names, URLs, toll free numbers, etc.)

IT Transactions

IT Services Provider (Outsourcing) vs. **Customer**

- **Ownership of data**
 - Customer data usually remains the customer's property
 - Business and financial data
 - Personally identifiable data
 - Aggregate data, de-identified data, coded/tokenized data, or anonymized data
 - Limited license back to service provider (scope of use)
- What if the services include an **AI capability**?
 - Does the “AI-derived” data become a derivative work or is it new data?
 - Who owns the AI-derived data?
 - Are there different license use rights to the AI-derived data?
- **Revenue sharing models** around certain proprietary and AI-enhanced data

IT Transactions

Evolving IP issues in IT

- **Augmented/virtual reality; other AI-enhanced functionality:**
 - Challenges to IP rights between provider and licensees/users
 - Is there a marketable solution where every contributor benefits?
- **Uncertain jurisdictional boundaries:**
 - Data ownership and related usage disputes
- **“Smart Contracts” using blockchain**
 - Securing contracts and IP rights
- **Cyber-espionage/trade secret theft**
 - State and non-state actors will have growing influence on innovation
 - Export controls may affect future IP innovation, collaboration and monetization
- **Patents:**
 - The post-*Alice* debate and resurgence of IT-related patents



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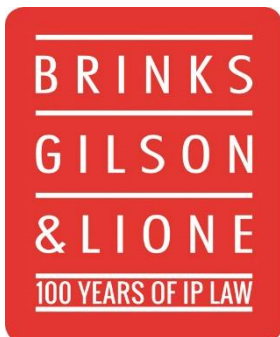
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Copyright Licensing: General Considerations

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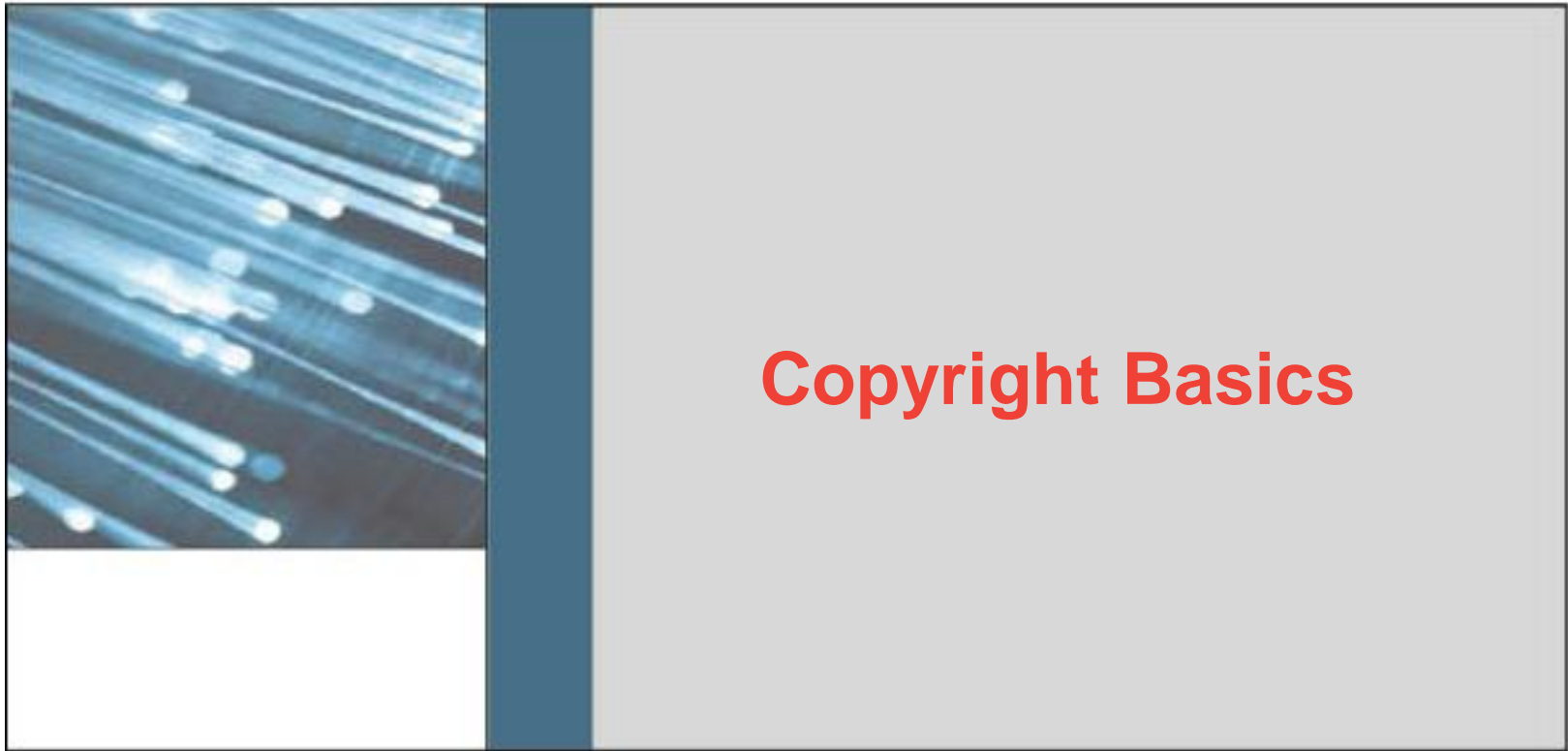
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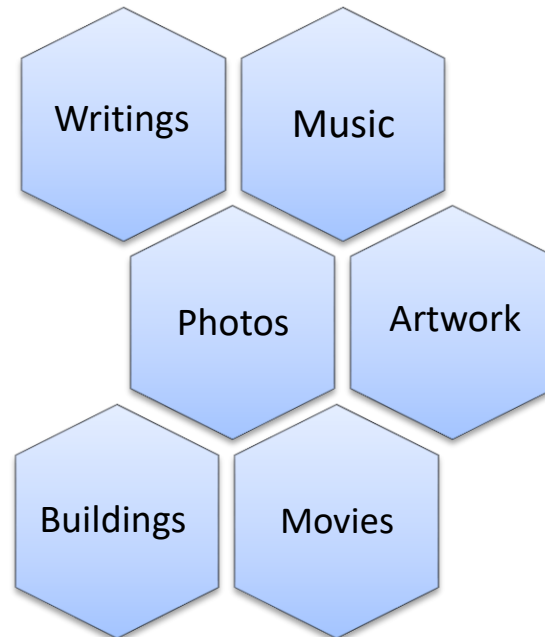
What Is A Copyright?

Short Answer: a property right in a creative work



- Copyrights provide the owner with a bundle of exclusive rights – essentially, copyrights provide the owner with control over the creative work
- These exclusive rights may be transferred, assigned or licensed to others

What Types Of Works May Be Protected By Copyright?



... just to name a few



Licensing Basics



Licensing Generally

- Types of Licenses
 - Written
 - Oral
 - Implied
 - Digital Licensing Online
- Grant of rights, as opposed to a sale or transfer
- Rights may be granted with limits
- Exclusive vs. non-exclusive





General Considerations

Licensor

- What rights am I giving up?
- For how long?
- To what extent?
- For what in return?

Licensee

- Flexibility?
- Exclusivity?
- Enforceability?
- Transferability?



Common Provisions

- Identify Works to Be Licensed
- Identify Rights to Be Licensed
- Identify Parties
- Consider Intended Uses/Limits on Uses
- Exclusivity of License
- Royalties
- Enforcement
- Warranties and Indemnification
- Consider Right to Sublicense/Assign
- Copyright Registration and Notice
- Term and Termination
- Other Considerations



Identify Works To Be Licensed

- License must clearly, specifically, and accurately identify the copyrighted work being licensed
 - Consider registered vs. unregistered works
 - Consider layered works

Identify Rights To Be Licensed

- License must clearly, specifically, and accurately identify the specific rights in the work that are being licensed
 - Uses not expressly authorized are generally prohibited
 - Ensure license covers all anticipated uses for work
 - Beware of the term “use” in copyright licenses (ambiguous)



Identify Parties

- Due Diligence – review registration certificates, assignments, Copyright Office searches
 - Consider Works Made for Hire
 - Consider Joint Authors

Intended Uses / Limits on Uses

- License must clearly, specifically, and accurately identify the media format, term, territory, and scope of use
 - Format – i.e. digital, print, web, video, audio, certain software applications
 - Term – duration of license
 - Territory – geographic scope of license
 - Scope of use – broad grant vs. specific purpose



Exclusivity of License

- Consider non-exclusive vs. exclusive
 - Non-exclusive limits – no standing to sue to enforce rights; no right to transfer or sublicense without authorization
 - Exclusive license benefits – standing to sue; reduced competition; increased control; higher royalty rate

Royalties

- More Rights, More Exclusivity = Higher Royalties
 - Consider:
 - When are they due?
 - Where/how to pay?
 - Audits?
 - Format – % of sales? Flat fee? Minimum payments?



Enforcement

- Identify party responsible for monitoring infringement/pursuing infringers
 - Who pays costs and fees?
 - Can exclusive licensee take action if licensor chooses not to?
 - How are recovered damages and fees to be distributed?

Warranties & Indemnification

- Consider licensor warranties
 - i.e. validity of copyright; not infringing third party rights; no prior exclusive licensee
- Consider licensee warranties
 - i.e. no misuse of copyright; will not use work in infringing manner; agrees to assist in infringement lawsuits
- Consider licensor & licensee indemnification



Right to Sublicense/Assign

- Rights to Sublicense/Assign should be expressly stated
 - Absent express language – exclusive licensee's rights are assignable; non-exclusive licensee's rights are personal and cannot be transferred
 - Consider right of first refusal and other limitations

Copyright Registration & Notice

- Registering Copyright
 - Which party registers?
 - Registration must be within 3 months of publication
- Require copyright notice to appear on all copies and on website
- Registering License
 - Establishes priorities between conflicting transfers
 - Provides constructive notice of transfer

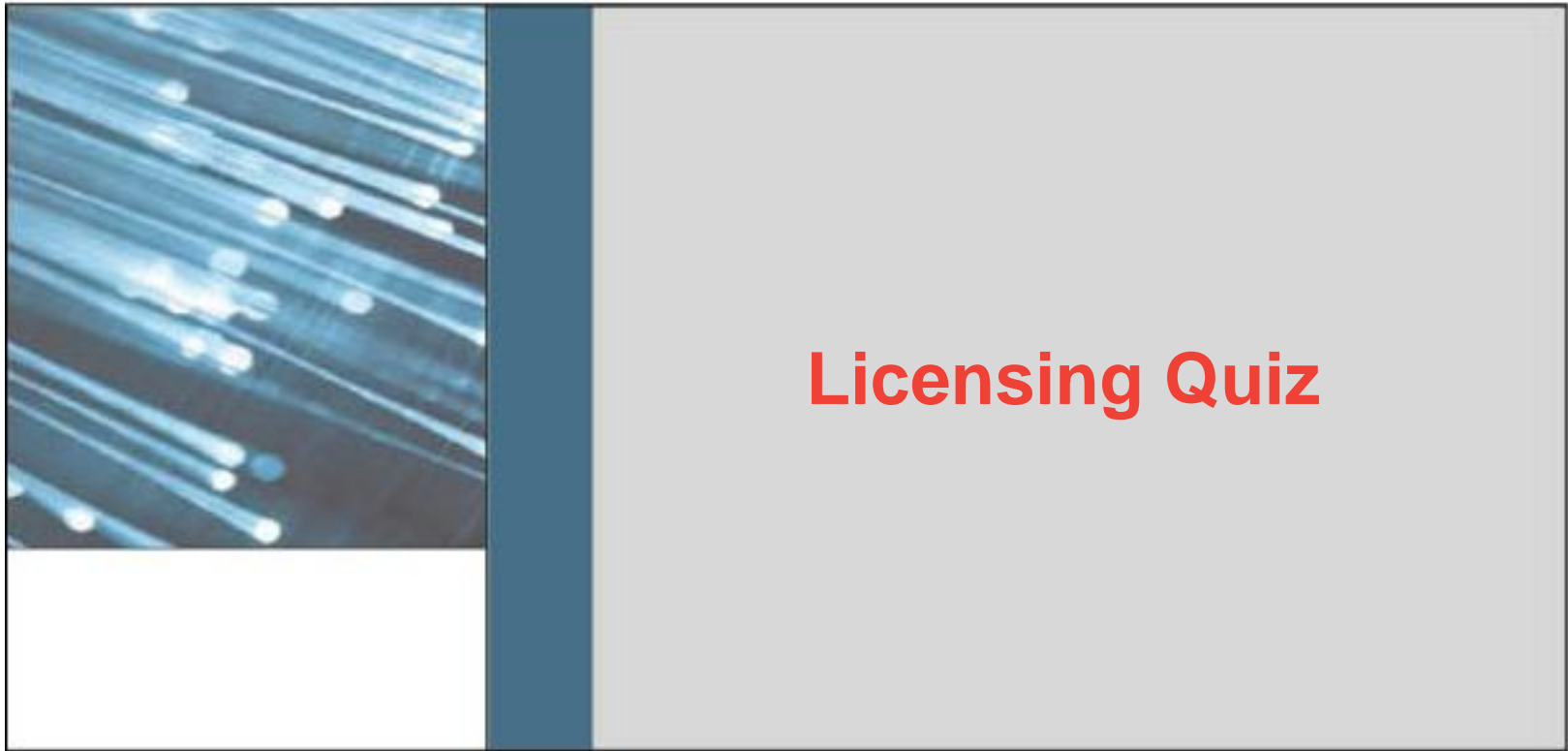


Term & Termination

- Include express provision for duration
 - Copyright Act governs if not specified
 - Should not exceed term of copyright
- Consider termination upon certain events or upon notice by licensor

Other Considerations

- Renewal
- Arbitration or ADR
- Attribution of Authorship
- Choice of Law/Jurisdiction
- Reservation of Rights
- Confidentiality
- Integration Clause
- Disclaimer of Warranties
- Revocability/Irrevocability





Fact Pattern

- A professional photographer posted one of her photos on Instagram
- The news site *Mashable* contacted her and offered her \$50.00 for permission to reuse the Instagram image in a story about female photographers
- The photographer denied *Mashable's* request
- *Mashable* used the image anyway by embedding the Instagram image of photographer's photo in its story
- The photographer sued *Mashable* for copyright infringement



Poll Questions

- **Poll Question 1:** Did the photographer forfeit her copyright by posting her image on Instagram?
- **Poll Question 2:** Is Mashable liable for copyright infringement for embedding the Instagram post in its story?

Post at Your Own Risk

APRIL 14, 2020 8:40am PT by Eriq Gardner

Court Rules Photographer Gave Up Exclusive Licensing Rights by Posting on Instagram



By agreeing to Instagram's Terms of Use when creating her account, the photographer [Sinclair] granted to Instagram "a non-exclusive, fully paid and royalty free . . . worldwide license to the Content."

**Judge Wood
(S.D.N.Y.)
(April 13, 2020)**

<https://www.hollywoodreporter.com/thr-esq/court-rules-photographer-gave-up-licensing-rights-by-posting-instagram-1290170>

Think Before You Re-Post



LAW
Publishers May Not be Able to Embed
Instagram Users' Imagery Without Running
Afoul of Copyright Law, Per SDNY

Image: Instagram

June 29, 2020 - By TFL



Sinclair's "copyright
claim against
Mashable cannot
be dismissed on
the basis of
Mashable's
 sublicense defense
on the record
presently before
the Court."

**Judge Wood
(S.D.N.Y.)
(June 24, 2020)**

<https://www.thefashionlaw.com/mashable-and-other-publishers-may-not-be-able-to-embed-instagram-users-imagery-without-running-afoul-of-copyright-law-per-sdny/>



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*With appreciation to Brinks associate Mary LaFleur
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Questions?

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