THE BASIC PRINCIPLES OF INTELLECTUAL PROPERTY LAW

CENTENNIAL EDITION
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OF
INTELLECTUAL PROPERTY LAW

BRINKS GILSON & LIONE

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THE BASIC PRINCIPLES OF INTELLECTUAL PROPERTY LAW
I. INTRODUCTION

Intellectual property issues always have been important in the business world, but perhaps never more so than they are today. Virtually everyone in the commercial world interacts with intellectual property issues, but frequently individuals are unaware of such matters.

This intellectual property law primer is intended to shed light on the topic and present useful and practical concepts. Intellectual property law is complex, and handling issues related to it is generally a task for individuals with intellectual property experience. Therefore, this summary is provided for general information purposes, and appropriate professional advice should be sought in applying these concepts to specific cases.

The term “intellectual property” broadly refers to the creative product of a person’s mind, which the law treats as a property right. Intellectual property is considered intangible but is still property in the truest sense, since it can be bought and sold, and it gives rise to legal rights, duties and consequences.

Intellectual property rights under U.S. law generally fall into one of four categories: patents, copyrights, trademarks and trade secrets. Contract law also plays a role in dealing with intellectual property issues, as do other state and common law principles, such as unfair competition. This primer will provide an overview of these various intellectual property concepts.
II. PATENTS

The U.S. patent system was created by the U.S. Constitution, Article 1, Section 8, Clause 8 (1789), which states:

The 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.

A. The Role of Patent Laws

The U.S. patent system is intended to spur innovation by providing inventors with limited rights of exclusivity over their inventions. All industrialized nations have a patent system in place. Without a patent system, individuals and businesses would be less likely to undertake research and development, since they would be unprotected against competitors seeking to copy their successful ideas and products.

B. The Nature of Patent Rights

A U.S. patent gives the inventor or patent owner the right to exclude others from making, using, selling, offering to sell or importing the invention. A patent does not provide the inventor with an absolute right to manufacture or use an invention. For example, an invention that is an improvement of an invention patented by another does not give the improvement’s inventor the right to make, use or sell the entire invention. In such cases it may be necessary to obtain a license from the owner of the basic or “dominant” patent encompassing the invention.

There are a number of commonly held misconceptions about patents. Here is some clarification:

1. A patent is not a prerequisite to being able to manufacture or use a new product or invention. Many products are sold which are not patented.

2. An invention does not need to be perfected before the filing of a patent application. In fact, an actual “reduction to practice” (building of the invention) is not required in order to complete the act of invention and apply for a patent. The filing of a patent application containing a full and clear disclosure of the invention is deemed a satisfactory substitute for an actual reduction to practice.

3. Inventors often ask what the scope of their patent is. Many have heard war stories in which a patent owner was unable to stop a competitor from selling a product since it had a very minor variation from the patented device. The scope of a patent depends on the invention itself, the prior art, and the manner with which the invention is described by the patent’s claims. Some inventions are of the pioneering or breakthrough variety and constitute a dramatic departure from the prior art. These inventions are often awarded patent claims that are quite broad in scope and, as such, may impede virtually all unauthorized competition. Another group of inventions are improvements of known devices or processes. These inventions are awarded claims limited to the improvements or departures from the prior art. In cases where such departure is
minor, there may be numerous, non-infringing, alternative designs available to competitors. While such patents have a limited scope, even these can have considerable commercial value where, for example, the improvement is related to a more cost-effective device or process, or provides performance benefits.

4. Inventors and the public at large often assume that all patents are worth extraordinary sums of money. While many are extremely valuable, most do not reach commercial reality. The decision to patent an invention should be based on a realistic expectation of its value, and should be part of an overall business plan or objective.

5. A patentable invention may be a combination of existing components or elements. In fact, most inventions are a collection of known components that operate individually in a well-known manner. The combination of elements, however, may produce new and perhaps unexpected attributes.

C. Types of Patent

There are three general types of U.S. patents: utility, design, and plant.

1. Utility Patents

Also called functional patents, utility patents encompass the function or operation of a machine or device. A utility patent issuing from an application filed after June 7, 1995 has a term of enforceability that runs from the date of issuance to 20 years from its earliest effective U.S. filing date, provided that periodic maintenance fees are paid. Certain occurrences during the prosecution of the patent application may give rise to a patent term extension.

Utility patents can be obtained in the following categories:

- **Machine or Apparatus.** These include devices in which components interact, for example automobile transmissions, machine tools, appliances, etc.

- **Article of Manufacture.** These include articles made by hand or machine, for example soap dishes, water-spray nozzles and bottles.

- **Composition of Matter.** These include compounds and mixtures such as plastics, pharmaceutical compounds and metal alloys. This category also encompasses certain types of life forms, including single-cell and multiple-cell organisms and vertebrate animals. For example, Harvard University was granted a patent on a genetically engineered mouse (see U.S. Patent No. 4,736,866).

- **Process or Method.** These include methods or procedures used in the manufacture of a device or product, as well as ways to use a product or computer software to accomplish a tangible result.

- **Business Method.** A term used to describe certain types of processes that relate to doing business. Business method patents
have experienced dramatic growth as e-commerce and Internet technologies continue to advance. Business method patenting has been the subject of significant legal and commercial challenges over the years, including whether such methods are patentable. For many years, inventions regarded as methods of doing business or “business method patents” were viewed by the United States Patent and Trademark office (USPTO) as not patentable. However, in the 1980s, the USPTO began allowing more patents in this area, and in 1988, the United States Court of Appeals for the Federal Circuit (CAFC) confirmed the patentability of business methods in *State Street Bank v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998). Since that time, many business method patents have issued, covering a wide range of business applications, including, for example, the “name-your-own-price” airline ticket business method, made famous by Priceline.com (see U.S. Patent No. 5,797,127), and the Amazon.com patent on “One Click Ordering Process for Internet Purchases” (see U.S. Patent No. 5,960,411). While it is now settled that methods of doing business are not excluded as patentable subject matter, significant debate as to the scope of patentable subject matter in this area continues.

- **A Note about Computer Software.** This subject matter was previously deemed to be unpatentable based on United States Supreme Court holdings that created confusion over whether software was an idea, a formula, or an algorithm. For example, the CAFC has ruled that claims to a signal with an embedded digital watermark encoded according to a given encoding process do not constitute patentable subject matter. More recent Supreme Court rulings have focused on the patent claims as a whole, versus whether they contain a mathematical formula, in determining whether the overall process or method is patentable. It also should be noted that various foreign jurisdictions have revisited the question of computer software patentability. Computer software that is separate from an apparatus or machine is considered not to be patentable in most countries outside the United States. In such jurisdictions, protection for computer software is claimed in the form of the apparatus or machine that executes the software.

2. **Design Patents**

Design patents protect any new, original and ornamental design for an article of manufacture. In contrast to utility patents, which protect the function or operation of a machine or device, design patents protect the appearance of a product. This appearance may be in the form of a shape, color, surface ornamentation, or a combination of these factors. Design patents protect well-known consumer goods, such as Apple iPods, Nike footwear, and Eclipse mints, to name just a few.
Design patents are becoming increasingly popular. Since 2006, almost 23,000 have been issued annually. The United States leads all countries in design patents, followed by Japan, Taiwan, Germany and Canada. Companies frequently seeking design patent protection include Samsung, Sony, Nike, Procter & Gamble, Goodyear and Microsoft.

Design patents based on applications filed before May 13, 2015, have a term of 14 years from the date of issuance, while patents based on applications filed on or after May 13, 2015, have a term of 15 years from the date of issuance. Unlike the types of patents mentioned above, design patents are not subject to maintenance fees (periodic taxes payable to the USPTO). Generally, design patents are less expensive to obtain than utility patents and issue much sooner. However, the scope of protection is different and arguably more limited. Also, as discussed below, the damages recoverable under a design patent differs from that of a utility patent.

There is no requirement that the design be artistic or pleasing to the eye, only that it is primarily ornamental in character. If the overall appearance of the design is dictated by performance, then the design is functional and not entitled to design patent protection. For example, U.S. Design Patent No. D327,636, disclosed a design for a key blank. In an infringement proceeding, the CAFC held that the shape of the blank key blade was dictated by function, and thus the design was not ornamental. *Best Lock Corp. v. Ilco Unican Corp.*, 40 USPQ2d 1048 (Fed. Cir. 1996). Sometimes, however, articles such as automobile wheels and cell phone housings blend functional and ornamental features, with the design features therefore available for design patent protection.

3. Plant Patents

Plant patents are available for asexually reproduced plants. A relatively small number are issued each year. And since they define their own highly specialized field of patent law practice, reference should be made to other resources should you desire more information.

D. Patentability Requirements

U.S. Patent Law sets forth a number of requirements that an invention must meet in order to be patentable. These requirements are set forth in 35 U.S.C. §§ 101 (patent eligible subject matter and utility), 102 (novelty), 103 (non-obviousness), and 112 (claim definiteness, written description, enablement). Each of these requirements is discussed below.

1. Patent Eligible Subject Matter

Section 101 provides that “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” Courts have generally interpreted this to mean, “anything under the sun” made or discovered by an inventor can be patented if it meets certain patentability requirements. Nevertheless, over the last 150
years or more, the courts have identified certain discoveries as outside the scope of patentable subject matter. These include:

- Natural phenomena; like naturally occurring substances;
- Abstract ideas, mental processes, or mathematical formulas not involved in any tangible application; and
- Scientific principles or laws of nature (by themselves).

Determining whether an invention covers patent eligible subject matter or falls within these court identified exceptions has proven quite difficult. In 2008, the CAFC issued an opinion in *In re Bilski*, which specified that a process, such as a business method, must meet the “machine or transformation” test in order to avoid being merely an abstract idea. This test required the claimed process to either (i) be tied to a machine that performed the process or (ii) transform an article to a different state or thing.

However, in 2012, the *Bilski* “machine or transformation” test was overruled by the United States Supreme Court in a pair of cases that provide a framework for the analysis of what constitutes patent eligible subject matter under 35 U.S.C. § 101: *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), and *Alice Corporation Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014). The *Mayo* and *Alice* jurisprudence sets forth a two-part analysis for determining subject matter eligibility. In the first part of the analysis, a court considers whether the claim is directed to a patent-ineligible concept, such as a law of nature, a natural phenomenon, or an abstract idea. In the second part of the analysis, the court considers whether a claim that is directed to an abstract idea includes additional elements that amount to “significantly more” than a patent ineligible concept.

After *Mayo* and *Alice*, the introduction of a general purpose digital computer (or smartphone, or other intelligent device) into a claim that otherwise is directed to an abstract idea will not render the claim eligible for patentability. For example, implementing a mathematical algorithm on a computer is not a patentable application of an unpatentable abstract idea. Further, claims only reciting the gathering, compilation, recombination, recalculation, re-display and/or outbound transmission of text or data by a digital computer are not likely to be patent eligible.

However, if a claim has “significantly more,” it may be patent eligible. For example, a statutory claim may recite improvements to another technology or technical field, improvements to the functioning of the computer itself, or have other meaningful limitations beyond generally linking the use of an abstract idea to a particular technological environment.

The USPTO updates its examination guidelines as the case law changes. The most recent examination guidelines were provided in May 2016. For example, the USPTO has provided guidance to examiners for applying the two-part test during patent application examination. In the guidance, the first step is identifying whether the claim covers a process, machine, manufacture, or
composition of matter. If it does, the analysis moves to step 2A, wherein it is determined whether the claim “is directed to” a judicial exception, such as a law of nature, a natural phenomenon or an abstract idea. If the claim is not directed to idea judicial exception, the claim qualifies as eligible subject matter. If the claim is directed to a judicial exception such as an abstract idea, the analysis moves to step 2B, wherein it is determined whether the claim recites additional elements that amount to “significantly more” than the patent-ineligible concept itself. The “significantly more” analysis is intended to determine whether the claim includes additional claim elements that may transform the nature of the claim from, for example, a patent-ineligible abstract idea to a patent-eligible application of the abstract idea.

Case law continues to evolve in the area of patent subject matter eligibility as courts and examiners try to determine how to interpret and apply the jurisprudence set forth in *Mayo* and *Alice*. Moving forward, both court decisions and the actions of USPTO patent examiners will be informative in shaping this area of patent law.

2. Utility

Section 101 also requires that an invention be “useful.” The requirement of “utility” has been interpreted to mean that the invention have a useful purpose and not be solely for implausible or immoral purposes. This requirement is rarely relied upon as a basis for denying patentability.

3. Novelty

The novelty requirement has various facets and is defined by federal statute (35 U.S.C. §102). Under U.S. patent law, an invention must be new or novel. As a result of the passage of the Leahy-Smith America invents Act (AIA) in 2011, beginning on March 16, 2013, two different sets of novelty rules became applicable when evaluating patent applications. Whether AIA or pre-AIA novelty rules apply will depend on the patent application’s effective filing date (i.e., before or after March 16, 2013).

a. Pre-AIA Novelty. Patentability under the pre-AIA set of novelty rules is determined in view of the inventor’s date of invention rather than the date of filing of the application. Therefore, for pre-AIA patent applications, the patent will be denied or an issued patent will be found invalid if, before the date of invention, the invention was:

i. Known or used by others in the United States;

ii. Patented or described in a printed publication anywhere in the world;

iii. Described in a patent that resulted from an application filed in the United States before the date of invention; or

iv. Invented in the United States by another who did not abandon, suppress, or conceal it.
Again, note that these novelty requirements refer to the date of invention. If another’s patent or publication is asserted as grounds for a patent application’s rejection, or as the basis of a challenge to the validity of a patent, the inventor may have to prove that his or her date of invention predates that of the challenger. This is one of the reasons why inventors need to keep complete, accurate, witnessed records to establish when the invention was made and when it was demonstrated as useful for its intended purpose—in other words, “reduced to practice.”

The novelty requirement also includes rules (also found in 35 U.S.C. §102) which preclude patentability if, more than one year prior to the date that the application was filed:

i. The invention was patented or described in a printed publication anywhere in the world;

ii. The invention was in public use (non-experimental) in the United States;

iii. The invention was on sale (which includes offers for sale) in the United States; or

iv. The applicant filed a foreign patent application granted for the same invention before the U.S. application filing.

b. **AIA Novelty.** In contrast to Pre-AIA Novelty, patentability under the AIA set of novelty rules is determined in view of the effective filing date of the application rather than the date of invention. Because of this, the AIA scheme has sometimes been referred to as a “first-to-file” system and a race to the Patent office. The AIA, however, still requires that the applicant be a true inventor of the claimed subject matter, and cannot have derived or learned of the invention from another. The AIA system is therefore more accurately referred to as a “first-inventor-to-file” system.

Under the AIA, the patent will be denied if, before the effective filing date, the claimed invention was:

i. Patented;

ii. Described in a printed publication;

iii. In public use;

iv. On sale;

v. Otherwise available to the public;

vi. Described in an issued patent in the United States, the application for which was filed by another before the effective filing date; or

vii. Described in a published patent application in the United States, which was filed by another before the effective filing date.
The AIA provides several exceptions for disclosures made one year or less before the claimed invention’s effective filing date. Specifically, exceptions are provided for instances where (a) the disclosure was made by the inventor, a joint inventor or another who obtained the disclosed subject matter from the inventor or joint inventor, or (b) before the disclosure, the disclosed subject matter had been publicly disclosed by the inventor, joint inventor or another who obtained the disclosed subject matter from the inventor or joint inventor.

Additional exceptions are provided for situations where the disclosure appears in a United States patent or published U.S. patent application and (a) the disclosed subject matter was obtained from the inventor or joint inventor, (b) the disclosed subject matter was publicly disclosed by the inventor, joint inventor or another who obtained the disclosed subject matter from those individuals prior to the patent’s or published patent application’s effective filing date, or (c) the disclosed subject matter was owned or subject to an obligation of ownership by the same person not later than the claimed invention’s effective filing date. In some instances, a joint research agreement may allow the disclosed subject matter to be treated as having been commonly owned.

c. Common Concepts. Both the AIA and pre-AIA rules include the concepts of “public use” and “on sale,” but do not specifically define them. Since the same terms are used, it is anticipated that, under the AIA, the meanings established by the courts for these concepts will continue to apply. While a complete analysis of what constitutes public use or on sale is beyond the scope of this book, these “statutory bars to patentability” may turn on whether the inventor has begun a “commercial exploitation” of the invention. This then starts the clock on a one-year grace period, within which the inventor must either file a U.S. patent application (or an international PCT patent application designating the United States) or forever lose the ability to patent the invention.

A further note regarding published documents: even an obscure manuscript written in a foreign language can serve to bar the patentability of an invention or invalidate an issued patent. Under the AIA, whether such a document or other activity or event can be considered as prior art may hinge on whether the document, activity or event is considered to be “otherwise available to the public.” This is one reason why patentability searches are, by their very nature, limited in scope and cannot be considered as an absolute assurance that an invention is patentable.

4. Non-Obviousness

Another requirement of patentability is that an invention must not have been “obvious” to one of ordinary skill in the art (stated by 35 U.S.C. §103) at the time of invention (for pre-AIA applications) or prior to the effective filing date (for AIA applications). This requirement is far easier to state than it is to describe.

In determining obviousness, the patent examiners and courts attempt to put themselves in the shoes of a person of ordinary skill in the art, and assume that
this person is aware of all the relevant prior art at the time of invention (pre-AIA) or before the patent application was effectively filed (AIA).

The courts often apply a three-part test in determining obviousness as established by *Graham v. John Deere* (383 US 1, 17 [1966]), an important U.S. Supreme Court patent decision involving the invention of a type of agricultural plow. This test considers the scope and content of the prior art, the level of ordinary skill in the art, and the differences between the prior art and the claims at issue. A number of additional factors referred to as “secondary considerations” are sometimes evaluated to show an invention was not obvious at the time of its creation. These considerations may include:

- The dramatic commercial success of an invention;
- Showing that others had attempted to address the problems solved by the invention and failed;
- The existence of a long-felt unfulfilled need for the invention; and
- That the prior art would tend to teach away from the invention.

In reaching a determination of whether a new concept is obvious in view of the prior art, it is important to note that the USPTO and the courts are permitted to take individual examples of prior art and combine them to find that an invention is not patentable. There is a requirement, however, that the combination must be reasonable and not contrary to the prior art itself.

5. **Section 112 Patentability Requirements**

In addition to the above requirements, U.S. patent law also requires that the inventor provide a full and complete description of the claimed invention (written description requirement), that the inventor particularly point out and distinctly claim the subject matter of his invention so that the scope of the invention is clear (definiteness requirement), and that the inventor provide sufficient detail about how to practice the invention so that the public can use the invention without undue experimentation (enablement requirement).

E. **Types of U.S. Utility Patent Applications**

U.S. patent applications can be classified into four groups: nonprovisional, provisional, reissue and international PCT.

1. **Nonprovisional Patent Applications**

Nonprovisional applications constitute the vast majority of U.S. patent applications. Often referred to as a “regular” or “formal” application, a nonprovisional application is reviewed by a USPTO patent examiner. If it claims a patentable invention, it will ultimately mature into an issued patent. Nonprovisional applications can claim the benefit of the filing date of one or more earlier filed U.S. applications, as well as the date of a foreign patent application filed no more than one year before the nonprovisional application’s filing date, as long as the disclosure in the earlier filed application supports the invention to be claimed. It is important to remember that the USPTO prohibits
addition of new matter that was not disclosed at the time of filing. A nonprovisional application is usually published by the USPTO 18 months after its earliest claimed filing date.

2. Provisional Patent Applications

Provisional applications also may be filed with the USPTO. This type of application is used to establish a priority of invention. By operation of law, the provisional patent application becomes automatically abandoned on the first year anniversary of its filing date, and is never itself either examined or published by the USPTO. To benefit from the filing of a provisional patent application, a nonprovisional patent application must be filed no more than 12 months after the provisional patent application’s filing date, and must make an explicit reference to the provisional patent application filed earlier. As long as a nonprovisional patent application is properly filed within the 12-month period, the provisional patent application filing date is used as the later application’s effective filing date. That date, however, only applies to inventions adequately described in the provisional patent application.

A word of caution: To properly serve as a priority document, a provisional patent application must include a written description, perhaps featuring drawings, that enables a person of ordinary skill in the art to understand and practice the invention. The “best mode” requirement also applies and refers to the inventor’s obligation to describe the best way he or she knows for practicing or carrying out the invention. Any additional or new subject matter presented in the later filed nonprovisional patent application will not be entitled to the provisional patent application’s earlier filing date.


Reissue applications are patent applications filed to correct a “defect” in an issued patent. A “narrowing” reissue seeks to narrow the scope of one or more claims, such as claiming more than the patentee (patent owner) had a right to claim. It can be filed at any time prior to the expiration of the patent’s term. A “broadening” reissue seeking to expand the claims coverage must be filed with the USPTO no more than two years from the date upon which the patent was originally issued. A reissue does not extend the term of the patent, but will assume the unexpired term of the original patent.


PCT applications are patent applications filed under the Patent Cooperation Treaty (PCT). In a PCT application, the applicant designates one or more of the many PCT member countries, encompassing virtually the entire industrialized world, to preserve the option to later file the PCT application in any designated country. The PCT patent application can be filed in any one of the many national patent offices, subject to rules relating to the applicant’s nationality and residency.

The PCT application must be filed no later than the one-year anniversary of the earliest related patent application to which priority is claimed. If the PCT
application designates the United States, then it is deemed by law to be an application for a patent filed in the United States as of its international filing date. The differences between the processing of international PCT patent applications and U.S. nonprovisional patent applications are extensive and beyond the scope of this book. It should be noted, however, that an international PCT patent applicant must take further action in the United States and other countries in order to obtain patents in those countries. Generally, those actions must be taken no later than 30 or 31 months from the earliest claimed priority date, depending on the country.

F. Procedures for Obtaining a U.S. Patent

1. Patent Searches

The process of obtaining a U.S. patent begins with the preparation of a patent application. Generally speaking, it is desirable to conduct a patent search before preparing an application. This search seeks to find issued patents and other published articles that are related to the invention. If the invention appears patentable after an inspection of the prior art, then the application may proceed.

Note that there is no requirement that a patent search be conducted before filing a patent application. Because the subject matter in a nonprovisional patent application cannot be expanded once the application is filed, it can be beneficial to conduct a search of the prior art to appreciate the patent and publication landscape. This information may then be strategically employed to strengthen the invention disclosure in advance of the application’s filing. Alternatively, there are often cases where inventors are very familiar with the activities of their competitors and the market in their area of business. With this knowledge, they feel confident that they are aware of the most relevant prior art without having to conduct a search. Working together with the application’s preparer, the inventor helps ensure that his knowledge is reflected in a strong patent application.

2. Preparing a Patent Application

An inventor can prepare, file and prosecute a patent application, which is known as proceeding “pro se.” However, the USPTO urges applicants to seek out the assistance of a patent agent or patent attorney, who is registered to practice before the USPTO.

For both provisional and nonprovisional utility patent applications, the application includes a written “specification” that is typically divided into the following sections:

- **Title of the Invention.**

- **Cross-Reference to Related Applications,** which specifically identifies any and all prior U.S. patent applications, both provisional and nonprovisional, the earlier filing date of which the applicant’s claims may benefit.
• **Background of the Invention**, which describes the “technical field” of the invention and provides information regarding existing technologies, the problem(s) solved by the invention and, perhaps, the failures of the prior art to either recognize or adequately address such problems.

• **Summary of the Invention**, which covers the main points of the invention or provides a general statement of the invention, and often points out the invention’s advantages and how it solves a problem or design challenge.

• **Drawings**, which illustrate examples described in the detailed description section.

• **Brief Description of the Drawings**, which describes the subject matter illustrated in one or more accompanying drawings.

• **Detailed Description of the Invention**, which describes the best mode of practicing the invention and provides a sufficiently detailed disclosure to enable those skilled in the art to duplicate and practice the invention, with cross-references to any drawings provided.

• **Claims**, which describe the extent of the invention that the inventor seeks to protect by patent. A nonprovisional patent application must include at least one claim; by statute, no claims need to be presented in a provisional patent application. This is the critical part of the patent application and defines the legal scope of protection being sought. These claims are not unlike a legal description of real estate.

• **Abstract of the Disclosure**, which summarizes the disclosed embodiments of the invention to facilitate searching for relevant prior art.

• **Oath or Declaration**, in which each identified inventor states that he or she is an inventor of the subject matter recited in the accompanying claims and that the inventor(s) is (are) making or authorizing the application for patent.

After 18 months have elapsed from the effective filing date claimed by the applicant, the nonprovisional patent application is published for public viewing. At the same time, all papers related to the application, including those of any related U.S. patent applications identified, become available for public inspection. In certain circumstances in which foreign patent filing is not sought, the applicant can request that the application not be published until the final patent is issued.
Unlike utility patent applications, U.S. design patent applications are not subject to publication at 18 months. Instead, design patent applications are published only when they actually issue as patents.

3. Patent Office Examination Procedures

After a nonprovisional patent application is filed and the USPTO assigns an application number and filing date, the application is assigned to a patent examiner. This examiner conducts an independent patent search of the invention using prior art materials available to the examiner, including any prior art the applicant has furnished.

Specifically, the rules require the applicant and the patent attorney/agent prosecuting the nonprovisional application to disclose to the patent examiner all information “material to patentability” of the claimed invention. This includes information of which they become aware while the patent application is pending before the USPTO. Information may be provided to the patent examiner in the form of an Information Disclosure Statement (IDS).

The examiner evaluates the application in view of the prior art and checks for compliance with various formal requirements. Often, the claims presented in the application are initially “rejected” in a communication called an Office Action. The applicant’s patent attorney or patent agent, often with inventor assistance, must then prepare and file a reply to the examiner, pointing out the reasons why the claims, either as originally filed or with appropriate amendments, should be allowed. The reply also may include the presentation of additional new claims. In addition, an interview with the examiner to discuss the rejections may provide opportunities to identify subject matter that both the applicant and examiner believe to be patentable. By more fully understanding the examiner’s position, it may also give insights on how best to traverse the rejections. The examiner next reconsiders the claims and remarks put forward in the reply. Generally, if the application’s claims are rejected a second time, the applicant must either appeal the decision or request continued examination to avoid abandonment of the application.

An allowance of claims in a nonprovisional application can facilitate the allowance of identical claims in certain foreign jurisdictions as well through a process called the Patent Prosecution Highway (PPH). The applicant may request fast track examination of corresponding claim(s) in a related foreign patent application that is pending to speed up the examination process to allowance in the particular foreign patent office.

In 2016, the average time to obtain a patent was about 25 months from the application filing date to patent issue date, which was considerably shorter average time to issue than in prior years. Note, however, that in certain technology areas, and particularly in the biotechnology, computer software, and business method fields, average pendency is in excess of that average. The USPTO continues to work to reduce the pendency period. For example, the average time for issuance of a first Office Action on the merits of the application was 28 months in 2011, but was down to 18 months in 2016.
In order to protect against invention infringement during these delays, U.S. patent laws provide provisional remedies—generally a reasonable royalty—for infringement of claims that were both published in a pending patent application and subsequently issued in “substantially identical” form in a U.S. patent.

To have this remedy available, the alleged infringer must have had actual knowledge of the published patent application.

G. Post-Grant Challenges to Patent Validity Available Through the Patent Office

The AIA introduced three new procedures that enable a third party to challenge the validity of an issued patent through the Patent Office. These procedures are adjudicative in nature and proceed before a three-member administrative law judge panel of the Patent Trial and Appeal Board (PTAB). These procedures are known as Post Grant review, Inter Partes review and Covered Business Method review. They often are pursued in parallel with pending or in anticipation of court litigation. Some courts will stay their proceedings during the pendency of the PTAB proceedings. These procedures provide some advantages and disadvantages over traditional district court litigation.

A brief synopsis of these new proceedings will give you an initial understanding of the benefits and disadvantages of each review process.

1. Post Grant Review

If a third party believes that a recently issued patent is invalid, the third party may file for Post Grant review. To do so, they must file a petition within nine months of the patent’s issuance.

There are many procedural and documentary aspects that must be set out in the petition, including:

- Identifying the real party of interest;
- Identifying the claims asserted as being invalid;
- Identifying the grounds supporting the challenge for each claim;
- Providing evidence to support the challenge; and
- Paying a fee to the USPTO.

The grounds that can be asserted in a Post Grant review are broad. Thus, a petitioner may assert that the patent does not comply with the statutory subject matter, that the invention is not novel, that it is not unobvious, that it is not enabled, or that the written description requirement in the patent was not complied with. In other words, substantially any basis upon which a patent examiner could have rejected the application for patent is available for the petitioner’s assertion. However, one ground is not available, namely that the application did not comply with the best mode requirement (wherein the applicant describes the best way of carrying out the invention).
Evidence supporting the challenge can include prior art such as patents or printed publications, as well as affidavits and declarations of supporting facts and opinions regarding the prior art patents and printed publications. If the submitted evidence makes it “more likely than not” that at least one of the patent’s claims is unpatentable, or it presents a novel or unsettled legal question important to other patents/applications, Post Grant review will be instituted.

Once instituted, the review is conducted before the Patent Trial and Appeal Board (PTAB). During the proceeding, some limited discovery is available to the petitioner and the patente. Additionally, the patente has an opportunity to amend the patent, including cancelling the challenged claims and proposing a reasonable number of new claims. The amendment, however, is not permitted to broaden the patent’s claims.

If by a preponderance of the evidence a claim is determined to be invalid, it is stricken from the patent. If all claims are determined to be invalid, the entire patent is deemed invalid.

The filing fees associated with Post Grant review are substantial and are intended to reflect some (but certainly not all) of the USPTO’s costs for conducting the proceeding.

Post Grant review proceedings are intended to be a quicker and cheaper adjudication of a patent’s asserted invalidity. The determinations under Post Grant review are to be concluded within 12 months after the institution of the proceeding, which is generally faster than the time to resolution in district court litigation. The PTAB’s final determination after institution is appealable directly to the CAFC. However, a decision not to institute on a petition is not appealable.

One potential drawback to pursuit of a Post-Grant review is related to the legal principle of “estoppel.” If a final decision is reached in a Post Grant review proceeding, the petitioner will be “estopped” (prevented) from asserting a claim’s invalidity in subsequent litigation or International Trade Commission (ITC) proceedings on any ground that the petitioner raised or reasonably could have raised during the review. If the petition is not instituted or the parties settle prior to a final decision, no estoppel applies.

2. **Inter Partes Review**

*Inter Partes* review is the most commonly used method for challenging a patent under the new AIA procedures. Nearly anyone other than the patent owner may file a petition seeking review of a patent, unless the petitioner was served with an infringement complaint relating to the challenged patent more than a year prior to petitioning for review, or the petitioner previously filed a civil action challenging validity of the patent. However, merely raising invalidity as an affirmative defense does not affect standing for *inter partes* review.

In many respects, *Inter Partes* review is similar to Post Grant review. However, a petition for *Inter Partes* review cannot be filed until either the nine-month period for filing for Post Grant review has expired or any instituted Post Grant review proceeding has concluded.
The procedural and documentary requirements of *Inter Partes* review generally mirror some of the Post Grant review requirements, such as:

- Identifying the real party of interest;
- Identifying the claims asserted as being invalid;
- Identifying the grounds supporting the challenge for each claim;
- Providing evidence to support the challenge; and
- Paying a fee to the USPTO.

Grounds that can be asserted in an *Inter Partes* review, however, are more restrictive, pertaining only to those grounds that could have been raised by an examiner under 35 U.S.C. §§ 102 and 103—the novelty and obviousness provisions of the statute, and more specifically prior art patents and printed publications, as well as affidavits and declarations of supporting facts and opinions regarding those patents and printed publications.

If, based on the submitted evidence, there is a “reasonable likelihood of success” with respect to at least one claim, the *Inter Partes* review will be instituted. This standard of initial review is higher than the standard for Post Grant review.

Once instituted, the PTAB conducts the proceedings, during which limited discovery is available and the patentee has an opportunity to amend the patent, including cancelling challenged claims and proposing new claims. Broadening claim amendments are not permitted.

If by a preponderance of the evidence it is determined that a claim or all of the claims are invalid, the invalid claim or entire patent is stricken or revoked.

The USPTO fees associated with *Inter Partes* review are less than those for Post Grant review, but are still substantial.

Determinations under *Inter Partes* review are quick, within 12 months after the institution of the proceeding. Final determinations are similarly appealable to the CAFC.

Estoppel also may apply to final determinations in *Inter Partes* review proceedings. Accordingly, a final decision will bar a petitioner from asserting a claim’s invalidity in a subsequent *Inter Partes* review proceeding, civil litigation or ITC proceeding on any grounds that the petitioner raised, or reasonably could have raised estoppel does not apply if the parties settle prior to a final decision.

3. **Covered Business Method Review**

Covered Business Methods (CBM) review is a Patent Trial and Appeal Board trial proceeding instituted in order to review the patentability of one or more claims in “covered business method” patents. A covered business method patent is defined as “a patent that claims a method or corresponding apparatus for performing data processing or other operations for performing data processing
or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” This procedure is only available until September 15, 2020.

Similar to Post-Grant review, a petitioner may challenge the validity of a claim on a number of grounds, but the standing requirements for filing a CBM petition are stricter. In addition to proving that the challenged patent falls within the definition of a CBM, the petitioner also must be charged with infringement under the challenged patent and not yet challenged the validity of a claim of the patent.

Like the other AIA post-grant proceedings, a CBM proceeding is heard before a PTAB panel of judges, and the petition is based on the evidentiary record presented. Final determinations are appealable to the CAFC.

H. Patent Infringement

Patent infringement occurs when a person or entity, without the patent owner’s authority, makes, uses, sells, offers to sell, or imports the invention as claimed in a U.S. patent, during its unexpired term.

Infringement of a utility patent requires that each and every element (or the equivalent) of at least one claim of an unexpired patent be present in the accused product or process. Infringement also occurs when imported goods are manufactured outside the United States by a process patented in the United States or when substantially all of the components are produced in the United States and exported for use in the patented process or system outside the United States.

In order to prove design patent infringement, an accused article is compared to the design (in all of the figures of the patent) and must satisfy the “Ordinary Observer Test” set forth by the United States Supreme Court over 125 years ago. Under this test, if an ordinary observer (or purchaser) is deceived into confusing the accused article with the patented design, then the design is infringed. The accused article need not be identical. In the words of the Supreme Court, “[i]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.” Gorham Mfg. Co. v. White, 81 U.S. 51 (1871).

Infringement can be direct or indirect. Direct infringement does not require knowledge of the patent. Indirect infringement requires knowledge of the patent and knowledge that the accused actions are causing infringement.

Indirect infringement is divided into contributory infringement or inducement. Contributory infringement occurs when one sells an especially made component of a patented invention knowing that the component will be used in an infringing system or process. The especially made component must not have substantial,
non-infringing uses. A person may be liable for inducement if he induces another to infringe, knowing the induced conduct will infringe patent.

Infringing conduct can be found to be willful if it is done with knowledge of the patent and done with malice or in bad faith.

I. Foreign Patent Protection

Virtually all industrialized nations are signatories to the Paris Convention of 1883. This treaty establishes that if a utility patent application is filed in one of the signatory countries within one year of a first filing in another country, then the later filed application benefits from the earlier filing date. (For a design patent application, the relevant “convention” period is six months.) Therefore, if an applicant files a patent application in the United States, and files one or more foreign applications within one year of the U.S. filing date, the foreign applications will benefit from the U.S. filing date.

This provision of priority is very useful given that most countries outside the United States have “absolute novelty” rules. These rules state that the patent application filing date must precede any public disclosure of the invention throughout the world. These countries do not provide the one-year “grace period” that U.S. laws provide. U.S. patent application filing deadlines are often primarily dictated by the desire for a filing date prior to public disclosure in order to preserve foreign patent rights.

The America Invents Act limits the grace period to material disclosed by the inventor of the later patent application rather than to information independently disclosed by others, meaning that the U.S. patent law has become more streamlined with the patent laws of most foreign countries. However, because most countries do not provide a grace period at all, it is important to file a first patent application before sharing the invention with third parties if foreign patent filings are intended.

Applicants who file foreign patent applications should be aware that statements made during foreign prosecution may be used by U.S. courts to define the scope of U.S. patent claims. Thus, care should be taken to coordinate U.S. and foreign prosecution of related patent applications.

There are regional as well as international patent application procedures available to patent applicants seeking to obtain foreign protection for their inventions. In addition to the Patent Cooperation Treaty (PCT) application process, under the laws of the European Patent Convention a single patent application may be made by an applicant to protect the invention throughout Western Europe, providing significant savings in application filing fees. Currently, a European patent splits into individual national patents upon granting, so that enforcement of a European patent needs to be taken to the national courts of the individual countries. A unitary European patent system is currently in development that will allow for centralized patent enforcement if the patent owner chooses to maintain a unitary patent instead of individual national patents.
Some countries also offer utility models, sometimes called “Petty Patents.” The term “petty” originates from the French word “petit” meaning “small.” Utility models can claim the priority date of a patent application and may, depending on the country, provide a grace period where regular patent applications do not. While utility models include a description, claims, and drawings much like a patent application, they are mostly limited to a term of 10 years. Utility models are typically not examined, unless the owner attempts to enforce them. The protectable subject matter varies by country, but physical devices are protectable through utility models, while processes are typically excluded. Utility models are usually granted within one year of the filing date and save expenses because they do not require an extensive substantive examination in order to become effective. They are a viable alternative to consider in technical areas, in which licensing is more common than litigation, and where technology advances at such a fast pace that a 20-year protection is not needed.
III. LIFE SCIENCE PATENTS

Patents in the life sciences have been an important business tool since the first patent for a medicine was approved in 1796. With recent advances in the sciences and information technologies, the field of life science patents continues to be an important, evolving area that includes the research efforts of not only large companies, but many small and startup companies and universities. In view of the importance of this subject matter as well as the unique characteristics and attributes of patents in this area, a dedicated section is warranted.

A. Definition of a Life Science Patent

Patents claiming subject matter that includes drugs, biological research assay tools, medical devices, agricultural products, biofuels, food and cosmetics are sometimes described collectively as “life science patents.” Digital healthcare, which integrates information and communication technologies with one or more of the other life science subject matter area within a multi-disciplinary framework, is a recent and evolving area targeting improved health and wellbeing.

B. Value of a Life Science Patent

Patents are the lifeblood of any innovative life science company. Patents and their licensing play critical roles for organizations as diverse as pharmaceutical companies, medical device companies, and manufacturers of instruments and reagents. Increasingly, universities conducting life science research are using these patents to generate income.

However, patents do not serve the same purpose for all organizations. Specifically,

- Life science startups and smaller companies generally need to raise capital to fund their R&D efforts long before a product is ready for sale. Because strong protection of intellectual property can be a key factor in product profitability, investors typically look favorably on such patents as a measure of significant future earnings potential. Consequently, startups and smaller companies can facilitate the flow of investment capital to aid development of their product by leveraging sound patents as a business tool.

- On the other side of the equation, large pharmaceutical companies often use profits from existing products to fund new projects rather than source project funding externally. Significant investment is required to develop and bring a drug to market; current estimates put the cost at over $2.5 billion. A strong patent portfolio is needed to ensure not only adequate return on investment, but also the longer term profitability necessary to drive future research and development efforts.

- There is a trend where these two interests are coming together — large pharmaceutical companies or medical device companies are
acquiring or partnering with smaller life science companies to develop new products. For the smaller company interested in such collaborations, this underscores the importance of having strong intellectual property protection as a means of enhancing company value to its larger partner.

- Universities play a role in generating intellectual property for both life science startups and large companies. A large portion of research funding also typically came from government research grants. Due to recent decreases in research funding from government sources, universities have established or are in the process of expanding their technology transfer offices in order to capitalize on the intellectual property generated by their faculty and to facilitate interest and investment from life science companies and venture capitalists. The universities seek to out-license intellectual property to companies or, in some cases, to develop the intellectual property internally to generate revenue to fund research at their respective institutions.

C. Trends in Life Sciences and Intellectual Property Needs

Trends in this evolving area include:

1. **Alliances.** An increasing number of large pharmaceutical companies and medical device companies are forming alliances with smaller life science companies in order to develop new products. These agreements must be carefully drafted in order to properly allocate intellectual property rights and responsibilities.

2. **Biologic Drugs.** Biologic drugs are becoming more common, and along with them come unique patent challenges. The Biologics Price Competition and Innovation Act of 2009 (BPCIA), enacted as part of the Patient Protection and Affordable Care Act of 2010 (PPACA), created an abbreviated pathway for the U.S. Food and Drug Administration (FDA) to approve biosimilars.

3. **Medical Devices.** Medical devices are being coupled with drugs in products such as drug-coated stents and drug-nanoparticle delivery systems. In addition to separate drug and medical device patents, patents for the combined systems may provide additional intellectual property protection.

4. **Biostrategies.** Companies are turning to biostrategies in an effort to cut greenhouse emissions. For example, companies are using bacteria to transform plant matter into usable fuel. Protection of the intellectual property related to such biostrategies is critical in order to spur investment.

5. **Digital Healthcare.** Companies are bringing together smart devices, computational analytics and methodologies with communication media to create platforms that can improve the assessment and management of patient well-being and health risk.
D. Patentability

The requirements for obtaining patents on an invention in the life science area are the same as those for any other patent; the invention must be novel, non-obvious, useful and directed to eligible subject matter. However, there are several areas related to the prosecution and patent term of life science patents that may be different and that may require a higher level of disclosure.

1. Utility

As in other technologies, the specification must disclose the invention’s utility. For life science inventions, however, this can be difficult. For example, in order to claim a particular chemical compound as a drug, information about its utility is given, generally in the form of data relating to the compound’s activity. The data does not need to show that the drug is safe and effective; it is enough to provide information that enables one of skill in the art to determine that the compound is useful as a drug.

2. Subject Matter Eligibility

As discussed above, all patents must be directed to subject matter that has not been statutorily or judicially excluded. A series of recent U.S. Supreme Court cases has narrowed the ability to patent some biological inventions such as natural nucleic acid sequences, natural products, and some medical diagnostics. Any nucleic acid sequence that corresponds to a naturally occurring sequence from an organism is ineligible for patenting, regardless of its length. This includes “artificial” sequences such as polymerase chain reaction (PCR) primers or probes. However, human-generated sequences such as complementary DNA (cDNA) are still patent eligible. Similarly, while the Supreme Court did not specifically address naturally occurring chemical species that may have beneficial uses such as pharmaceuticals or precursors (“natural products”), the U.S. Patent and Trademark Office has taken the position that these molecules are also patent ineligible. Finally, some diagnostic methods have been held to be “abstract ideas” that are not eligible for patenting.

3. Detailed Description of the Invention

As with all patents, there is a requirement for a full and clear description of the invention, which enables one of skill in the art to make and use the invention (“enablement requirement”). In general, reduction to practice is not actually required because a full and clear disclosure of the application can be given without actually constructing the invention. In most cases, the provision of drawings is sufficient to show that the inventor had possession of the invention at the time of filing. However, for certain life science inventions the courts have required a heightened level of disclosure (the “written description requirement”). Fulfillment of this requirement may require disclosure of more specific embodiments of the invention than are necessary for other types of invention, and often may require disclosure of data to show that the invention works for its intended purpose. In addition, a number of foreign jurisdictions require specific examples enabling the claims so these should be included in an application.
E. Patent Term

1. Patent Term Adjustment

The term of a patent may be lengthened to make up for USTPO delays in examination and issuance. This increase in the patent term is referred to as a “Patent Term Adjustment” or PTA. It is important to minimize applicant delays in responding to office actions which can negatively impact PTA. This can be especially important for pharmaceutical patent applications because this lengthens market exclusivity based on the patent.

2. Patent Term Extension

Patent Term Extensions (PTE) are available only for patents covering inventions that must be approved by the FDA before being marketed. Generally, life science patents can be separated into two areas depending on whether regulatory approval is required before the invention may be sold. Inventions that are used in the discovery of drugs or biologics, or the development of medical devices, generally do not require FDA approval in order to be sold, whereas drugs, biologics, and medical devices do require FDA approval before being marketed. FDA approval requires extensive testing, which can take approximately three to ten years to perform. Because patent applications generally are filed during the early development of a product, far in advance of FDA approval, the market exclusivity covered by the patent term is effectively shorted by the delay to gain marketing approval by the FDA.

To compensate for the delay, the Hatch-Waxman Act of 1984 provides for a PTE for a patent covering an approved drug. Subject to certain limitations, the patent term may be extended up to five (5) years for a new drug, depending on the length of regulatory delay. An additional six months of exclusivity may be obtained if the drug developer submits certain FDA-requested information relating to the use of the drug in a pediatric population.

To balance out the benefit to the innovator patent owners, the Hatch-Waxman Act also provides a path by which generic drug companies can enter the market with the same drug immediately upon the patent’s expiration (including PTAs and PTEs) after the patent is invalidated by a court, or after a court determines that the generic product does not infringe the innovator’s patents. The generic drug company needs only show that the approved drug and the generic drug are bioequivalent; that is, that they contain identical active pharmaceutical ingredients that act in the same way. Other regulatory pathways exist that permit generic drug companies to use the same drug, but modify the formulation or delivery mode to provide a different product that is bioequivalent to the approved drug.

In addition, with the passage of the Biologics Price Competition and Innovation Act (BPCIA), an abbreviated regulatory pathway is now available for generic drug companies to gain approval for biologic drugs such as antibodies, protein therapeutics, nucleotides, siRNA, etc., often referred to as “biosimilars” or “follow-on biologics.” Because of the difficulties associated with manufacturing...
a biologic drug with exactly the same structure, the FDA’s general stance is that there are no true “generic biologics” but rather biosimilars.

The complete details of the Hatch-Waxman Act and the BPCIA are beyond the scope of this section, but it is worth noting that while the biosimilars pathway is similar to some aspects of the Hatch-Waxman pathway, there are differences in several key provisions. For example, the BPCIA sets forth different provisions governing the notice requirement, the mechanics of challenging patents covering approved biologics, and the length of “data package exclusivity.” Data package exclusivity is the term used for the timeframe after market approval during which the FDA cannot approve the same drug for the same indication if the generic applicant relies on the innovator’s data for approval.

F. Regulatory Protection

In addition to patent term extensions, a new drug may be eligible for three or five years of data package exclusivity, and a biologic is eligible for 12 years of data package exclusivity regardless of whether a patent is in force. In addition, biologics receive four years of market exclusivity that runs concurrently with the 12-year data exclusivity. Both biologics and drugs that are approved for treatment of a patient population of < 200,000 (i.e. orphan drugs) receive seven-year market exclusivity for the approved indication. These regulatory protections are intended to balance market exclusivity with the large time and capital investments made by pharmaceutical companies during drug development.
IV. TRADEMARKS

A. Definitions

A trademark can be defined as any word, name, symbol or device used by manufacturers or merchants to identify their goods or services and distinguish them from others. Trademarks can be slogans, shapes, and colors; even fragrances and sounds can qualify for trademark protection. Within the broad classification of trademarks there are several specific categories:

1. Trademarks

Trademarks historically refer to marks that are directly applied to products in trade, for example, PEPSI and COKE for cola drinks, TOYOTA for automobiles, JOHN DEERE for farming equipment, SKULLCANDY for audio headphones, and SONY for televisions. Typically, trademarks must appear on product or other materials that are visible at the point of sale so that consumers can readily identify the source of the product to make a purchase decision.

2. Service Marks

Service marks identify a service provided by a business such as BALLY TOTAL FITNESS for health club services, MOLLY MAID for cleaning services, and YAHOO for computer services.

3. Collective Marks

Collective marks are used to identify associations such as social fraternities and labor unions, for example CPA to indicate members of the American Institute of Certified Public Accountants.

4. Certification Marks

Certification marks are created by standards organizations for use by others to indicate to purchasers that products or services comply with certain characteristics or standards. Examples include UL and NSF.

B. Establishing Trademark Rights

1. Choosing a Mark

It is important to select a trademark that identifies and distinguishes a product or service from others in the marketplace. So-called “strong marks” are preferred over “weak marks.” The relative strength of a mark under the law is determined by its relative uniqueness. The law divides marks into four categories: generic, merely descriptive, suggestive, and arbitrary.

a. Generic Marks. The law will not help a company protect a mark that is considered generic. For example, the marks “super glue” for glue and “shredded wheat” for cereal have been determined to be generic.

b. Descriptive Marks. A mark is considered merely descriptive when it directly describes a product or one or more of its important characteristics. Generally, the law will not help to protect a mark that is merely
descriptive except where the mark becomes well recognized in the marketplace as being the trademark of the company that uses it, typically through long, continuous, and exclusive use. For example, the mark RAISIN BRAN is a descriptive mark for cereal, but has become well recognized. normally the law considers such marks to be weak marks. A descriptive mark such as DRY KLEAN for a dry-cleaning agent may make it easier to educate consumers through advertising about the nature of the product bearing the mark, but it may be difficult and even impossible to stop later unauthorized users from using the mark. Worse yet, a highly descriptive mark for a popular product may become a generic term for that product, making it available for everyone’s use.

c. Suggestive Marks. A mark is considered to be suggestive when it hints at the nature or a desirable quality of a product, without actually describing it. For example, OASIS has a cool and refreshing connotation, thus making it a rather good mark for office water coolers. The mark is suggestive, since it does not actually describe the product.

d. Arbitrary Marks. A mark is considered to be arbitrary when it is a made up word or symbol with no specific meaning, such as EXXON or XEROX, or when it is a word or symbol with a dictionary meaning unrelated to the product, such as ADVENT for stereo speakers. From a legal point of view, arbitrary marks are the strongest and the easiest to protect and enforce against later unauthorized users, as long as they are not used by others in a way that could create confusion.

2. Trademark Searches

Once a mark is selected, a trademark search should be conducted to determine if others are using the same or a similar mark. Online searches can be made via the USPTO website (www.uspto.gov), while more thorough searches are available through various trademark firms that examine a large body of information, including USPTO data, local telephone books around the country, trade journals, Internet domain names, etc. Once the results of a search are obtained, a determination can be made as to whether the proposed mark would present a likelihood of confusion in view of existing trademark uses.

3. Rights of a Mark

In general, trademark rights begin with actual use of the mark in commerce. Under common law principles (i.e. the law as developed by court case precedent), the first user of a mark is provided with priority with respect to his or her goods or services in his or her geographic areas of actual use and the zone of natural expansion of the mark’s use. Rights also can be based on constructive use, i.e., legally implied use, as part of the registration process described in Section D below.

4. Proper Use of a Trademark

Proper use of a trademark is important to ensure that it remains enforceable and does not become generic. One of the simple rules is to distinguish trademarks from surrounding text by capitalizing the initial letter or all letters. For example,
the TOYOTA trademarks can be distinguished from surrounding text using bold or italic fonts or by placing the trademark within quotation marks or in a stylized form or logo type that has become associated with the mark. Do not use a trademark as a noun, but instead use it as an adjective to modify a noun. A good test for proper use of a trademark is to remove the trademark from the sentence or text; if the sentence still makes sense, then the use is proper. For example, referring to a FRIGIDAIRE refrigerator constitutes proper use, versus referring simply to a FRIGIDAIRE, which constitutes improper use.

5. Notice

Proper notice should be provided to the public that a mark is regarded as a trademark. Before a federal registration is obtained, a “TM” or “SM” designation can be used to indicate a claim of rights as a trademark or a service mark, respectively. These designations indicate that the user regards the mark as its own mark. Once a federal registration is obtained, the appropriate designation can be used to signify the registration, e.g., “registered” or the designation “®”.

C. Trade Dress

Trade dress can be thought of as the visual appearance or “total image” of a product or service, and can include a product’s features—such as shape, configuration, texture, size, color, smell, graphic design or packaging—or service features—such as décor, architectural features, menu and layout. Trade dress protection is complementary to, and sometimes overlaps with, copyright protection and design patent protection, which also protect an object’s appearance.

Trade dress may be protected by filing a trademark application with a drawing depicting a single rendition of the mark. The applicant must indicate that the mark is a three-dimensional shape. In order to protect some forms of trade dress, such as a product design, the owner must prove public recognition of the design as a trademark. This is known as “secondary meaning” or “acquired distinctiveness.” Product packaging requires that the applicant prove the trade dress is inherently distinctive or has secondary meaning.

Trade dress will not protect features that are primarily functional or utilitarian. Generally, features that predominately relate to a product’s utility are deemed functional, as are aspects that are “essential to the use or purpose of the product” or that “affect the cost or quality of the product.” However, where multiple arrangements to perform the same functions exist, the features of a particular arrangement may be nonfunctional.

D. Federal Registration Process

1. Advantages of Registration

Although trademark rights do not require registration, there are significant benefits provided by federal trademark registration, including:
• Rights conferred on a nationwide basis without regard to areas of actual use;
• Certain rights in the trademark become “incontestable” after five (5) years of issuance;
• Access to federal court jurisdiction;
• Recovery of certain types of damages unavailable without a federal registration; and
• Constructive notice to those who later adopt similar marks. In other words, the law treats the later user as having been aware of the existence of the registered mark, even if they did not check the records.
• Priority rights over anyone who begins use of the same or a similar mark after registration.

2. Procedural Requirements for Federal Registration

A federal registration application is filed in the name of the trademark owner. Applications can be based on actual use of the mark in interstate commerce or on a bona fide or good faith intention to use the mark in the future. An application also can be based on a foreign application or a foreign registration, and must include a description of goods or services with which the mark is used or intended to be used.

Applications can be filed electronically using the Trademark Electronic Application system (TEAS) at www.uspto.gov. After the application is filed with the USPTO, it is examined to, among other things, determine if there is any likelihood of confusion with another trademark, or if the mark is descriptive, or if the identification of the goods and services needs clarification. After the application has passed examination, the mark is published in the Trademark Official Gazette, which starts the 30-day period for any person to oppose the mark (discussed below). If no opposition is filed, a certificate of registration is issued.

3. Maintaining Trademark Rights

In order to maintain trademark rights once a certificate of registration is issued, take note that,

a. The mark must be consistently used so that it does not become generic;

b. A statement of Use, and optionally a Declaration of Incontestability, must be filed between the fifth and sixth year from the date of registration; and

c. The registration is valid for 10 years from its stated registration date unless sooner terminated by law and provided that a Declaration of Continued Use is filed between the fifth and sixth year from the date of registration.
registration. The registration may be renewed for additional 10-year terms provided that the mark is still in use. The life of a federal trademark registration can be indefinite provided that renewal requests are filed every 10 years.

E. Patent and Trademark Office Proceedings Contesting Trademarks

In addition to infringement actions in the courts, several procedures are available to those who seek to contest a federal registration application or registered mark. One proceeding referred to as an “opposition” may be instituted by any member of the public who believes he or she will be damaged by the mark’s registration. Oppositions are filed within 30 days of the mark’s publication in the Trademark Official Gazette. A procedure referred to as a “cancellation” is also available to those who seek to cancel a registered mark based on the belief that the owner is not entitled to registration.

F. Domain Names

A domain name is an alias for an Internet Protocol (IP) address, which identifies the location of websites on the Internet. Instead of having to remember a long sequence of numbers, for example, 64.244.180.150, an Internet user can key in an easy-to-remember domain name, e.g., www.brinksgilson.com. Domain names are registered with an Internet Corporation for Assigned Names and Numbers (ICANN) accredited registrar.

Use of a domain name merely as an informational part of an Internet address does not, by itself, qualify as trademark use. In order to qualify the domain name must function separately as an indicator of source. It then can be registered with the USPTO as a trademark or service mark.

In general, a domain name record is initially active for two years. However, this varies from country to country. After the first two years, the record must be reviewed on an annual basis. Domain names can be canceled for various reasons, including failure to pay registration fees and decisions in domain name disputes. There is no need to have an active web page in order to register or maintain a domain name record.

Another’s use of your company’s trademarks within a domain name can present challenges. As with any enforcement policy, trademark owners must decide which claims to enforce. One place to start is with those domain names that are confusingly similar and lead to websites that sell similar goods/services. At that point, the decision to enforce will depend on budgets, chances of success, business needs, and other factors.

Infringing domain names can be enforced through administrative procedures delegated by ICANN to entities like the WIPO and the National Arbitration Forum (NAF). These entities implement the Uniform Dispute Resolution Procedure (UDRP) to determine if domain names infringe the complainant trademark owner’s rights. They also handle arbitration cases for both the old and gTLD domains and many country-level domains (e.g., .com, .br, .co, .uk).
G. State Trademark Registration

If a mark is used within a single state and is not used in interstate commerce, consider obtaining a state trademark registration, which provides protection only within a state’s borders. Where federal registration is not available, state registration is recommended.

H. Trademark Infringement Litigation

Infringement litigation can be conducted in the federal courts if a federal registration is involved, or if a false designation of origin or false or misleading representation of fact has been made. State court actions can be filed to enforce state registered marks or common law trademark rights. Infringement is based on a finding of a likelihood of confusion or actual confusion between the registered mark and the other user’s mark.

Remedies for trademark infringement include recovery of the defendant’s profits and the award of the plaintiff’s damages and costs. In exceptional cases, treble damages are available as well as attorneys’ fees. In addition, injunctive relief and destruction of the infringing goods are available remedies in some circumstances.

I. Madrid Protocol

International trade has been increasing steadily over the last 50 years. Today, few companies can afford to rely on their home market alone. Companies look to expand by penetrating established markets and creating new markets for their products. Marketing the same product under different trademarks in different countries is inefficient and costly in terms of promotion, advertising, and packaging. To reduce these costs and file a single trademark registration application, the World Intellectual Property Organization (WIPO) has initiated and promoted the Madrid Protocol.

The United States became a member of the Protocol in November 2002, and benefits of filing under the Protocol became available in November 2003—an important step in making trademark filing easier in multiple countries. Specifically, the Protocol is an international trademark filing treaty that enables a company or an individual to file a single trademark application with the USPTO and extend it to as many member countries of the Protocol as desired. There are currently more than 50 Protocol members, including most of Western Europe, Australia, China, and Japan. Application to the extended countries is conveniently done in one language and with one fee.

J. e-Commerce

With the rapid expansion of the Internet and growth of e-commerce, web-related trademark issues are also on the rise. These issues include domain name registration and use, so called “cyber-squatting,” and the use of trademarks as metadata and/or key words in Internet advertising and search engines. The courts are currently grappling to apply trademark law, both old and new, to these issues, and new issues continue to develop as the digital landscape evolves.
For example, suppose you perform an Internet search using a trademark as a search term. Does the search engine’s presentation of a sponsored advertisement for another company constitute an infringing use of that trademark? Consumers may be confused, believing that these advertisements come from or are sponsored by the trademark owner. Any level of confusion may cause the user to consider a competitor’s goods or services.

On the other hand, use of third-party trademarks for purposes such as comparative advertising, resale, and criticism may be exempted from infringement as “fair use.” Generally, most courts find that these cases constitute non-exempted trademark use, but the decisions vary substantially in terms of whether such uses are likely to cause confusion, therefore resulting in trademark infringement. These and other Internet-related trademark issues continue to challenge the public, lawyers, and the courts.

K. International Trademarks

The importance of trademarks to international business is constantly increasing. However, trademark owners should be aware that the law and facts concerning U.S. trademarks may not necessarily apply to trademarks used outside of the U.S. The laws in other countries, or the relevant facts, may differ. Customs are different. Courts are different. And trademark use and advertising laws and norms are different. Each of these factors may affect the scope and protectability of your trademark outside the U.S.

1. Filing Strategies

In order to navigate these challenging waters, a trademark owner needs to establish priorities for using its marks and enforcing them against third parties. Once the markets for selling goods/services are determined, including projected markets for the near future, a filing strategy for these countries must be established. This strategy might include national filings in the relevant countries, use of international and regional filing treaties, or combinations of these methods.

2. Searches

A search should be conducted before the filing process begins. Methods might involve foreign associates, search companies, trademark office databases and the Internet. Once the risks of confusion have been assessed, the filing strategy can be implemented.

3. Prosecution of Marks

After filing, each trademark application will face prosecution under the rules and practices of each jurisdiction where a filing has occurred. These actions will involve both trademark actions from the trademark office based on registrability of a term as a trademark, and possibly confusion with third-party marks where applicable. In addition, third parties themselves may file oppositions against the registrability of a mark depending on national rules and procedures. Agents from the relevant jurisdiction will be needed to answer these claims. Once the actions
have been overcome through procedures of varying complexity depending on jurisdiction, the mark will register.

4. Maintenance

Almost all countries require anywhere from three to five years of use of a mark to ensure its validity. Without such use, third parties in most countries can cancel the mark for non-use. In addition, all countries have renewal procedures anywhere from seven to 14 years either from the filing or the registration date. The life of a mark in all countries can be indefinite, provided renewals are filed in a timely manner.

5. Enforcement

After registration registrants may need to file court or administrative actions based on infringement or various types of unfair competition. These actions may occur before trademark office tribunals or in courts of law. Injunctions, partial recovery of costs and some damages may be awarded; however, these results can take years to achieve. In most cases, a more reasonable and realistic goal is to stop use of the infringing mark. Alternatively, global co-existence agreements may be the answer, depending on the marks and goods/services involved.

6. Trademarks and the Internet

The Internet has made the use of a trademark on a website, as a domain name, or as a new generic top-level domain (gTLD) instantaneously global. Many issues arise as a result of the vast range of uses of marks on the Internet, including jurisdiction over infringement claims, the type of actions to use to enforce claims (court of law or arbitration panel), relevant laws and more.

Those generic top and country-level domains that are confusingly similar to a trademark owner’s mark(s) and that lead to websites selling similar goods/services warrant serious attention. After that, the usual factors of budget, efficiencies and return on investment will influence whether actions are filed in courts of law or before arbitration panels.

Countries vary in terms of how country-level domains can be attacked for infringement. For gTLD domain names, considerations of whether they are old (.com) or new (.canon) will probably dictate the type of action warranted.

7. International Protection of Trade Dress

Countries vary when it comes to what they call trade dress (look-alikes, get-up, shape, etc.) and how they protect it, if at all. First, determine what is registerable in a given jurisdiction (color, three-dimensional aspects, sound, shape, texture, etc.) and what rights are enforceable under trademark or unfair competition laws. Once this information is gathered, strategies can be determined for protection and enforcement. As with any trade dress issues, various aspects of the trade dress (design, content, sound, etc.) may be protectable under the copyright law in a given jurisdiction.
V. COPYRIGHTS

A. Definition and Principles

United States copyright law protects original works of authorship fixed in a tangible medium of expression. Such works can include literary, dramatic, musical, artistic, and other intellectual works. This protection is available to both published and unpublished works.

The copyright owner has the exclusive right to do or authorize any of the following: reproduce the work, prepare derivative works, publicly distribute copies of the work, publicly perform the work, publicly display the work, and publicly perform sound recordings by means of digital audio transmissions. As a general rule, no person can exercise any of these rights without the copyright owner’s permission.

Importantly, copyright protection extends only to expression, not to underlying ideas or to procedures, processes, methods, concepts or discoveries. Further, copyright does not extend to words or short phrases (such as titles or slogans), logos, symbols or useful articles.

B. What is Copyrightable?

To be copyrightable, a work must be original and exhibit a minimal degree of creativity. It must fall within one of the following groups of copyrightable subject matter:

- Literary works (books, catalogs, software);
- Musical works, including any accompanying words;
- Dramatic works, including any accompanying words;
- Pantomimes and choreographic works;
- Pictorial, graphic and sculptural works;
- Motion pictures and other audiovisual works;
- Sound recordings; and
- Architectural works.

C. Copyright Duration

A copyright arises at the moment of creation, which is the moment at which the work is fixed for the first time in a tangible medium of expression. This copyright exists even if the work is not published or formally registered with the U.S. Copyright Office. Generally, a copyright lasts for the life of the author plus 70 years. For anonymous and pseudonymous works and works made for hire, the term of copyright is 95 years from the year of first publication or 120 years from the year of creation, whichever expires first.
D. Copyright Ownership

1. Authors and Joint Authors

The copyright is owned, at least initially, by the author of the work. In the case of a joint work, the joint authors are joint owners or co-owners of the copyright. In the absence of a different agreement between co-owners, each has the right to freely use the jointly owned copyright work. However, if one uses the work in a manner that results in gain, he or she must account to the other owner(s) by sharing profits.

2. Works Made for Hire

If a company or person hires an individual to create a copyrightable work, the work may fall into a special class of works called “works made for hire.” Employees and independent contractors are treated differently under the Copyright Act. When an employee acts within the scope of his or her employment to create a work, his or her employer is considered to be the author, and thus the owner, of the copyright.

Frequently, a company will hire an independent contractor to create or help to create works, such as a software package, a website, a catalog, an audiovisual presentation, and so forth. The company that pays for the work may use it for its intended purpose, but the Copyright Act assumes that the independent contractor—not the commissioning party—owns the copyright to the work. In order for the commissioning party to be deemed the author under the Act, the independent contractor must expressly agree, in a signed contract or agreement, that the work is being created as a work for hire. Absent of an express agreement, the independent contractor may copy the work and use it, sell it, or assign the copyright to someone else.

It is important to note that not all works are susceptible to work-made-for-hire status. Specifically, commissioned works created by independent contractors may be considered works made for hire only if the works are to be used as a contribution to a collective work, a part of a motion picture or other audiovisual work, a translation, a supplementary work, a compilation, an instructional text, a sample answer for a test, or an atlas.

3. Copyright Assignment

Copyright ownership is freely assignable. Therefore, if a work does not fall within the work-made-for-hire rules, the parties may nonetheless agree that the author may assign (transfer) all copyrights in one or more works of authorship. A written agreement is required for such an assignment.

E. Rights Protected by Copyright

The Act accords six exclusive rights to copyright owners: (1) reproduction; (2) prepare derivative works; (3) publicly distribute copies; (4) publicly perform the work; (5) publicly display the work; and (6) publicly perform sound recordings by means of digital audio transmissions. A copyright is infringed upon by the
unauthorized exercise of any of these exclusive rights by another absent permission or fair use.

**F. Copyright Enforcement**

Copyright infringement cases are almost always heard in federal court. To prevail in a copyright infringement claim, the copyright owner plaintiff must prove not only ownership of a valid copyright, but also violation of at least one of the six exclusive rights of copyright. To prove a violation, the plaintiff must either demonstrate actual copying (as opposed to an independent creation) or provide proof of access to the copyrighted work and show that the copied work is “substantially similar” to the original.

Judicial relief may include an order to prevent further violations or impoundment or destruction of infringing works, and an award of the plaintiff’s actual damages (including the defendant’s profits) or of statutory damages (an amount prescribed by the statute irrespective of the damages the author actually suffered), and, in some cases, attorneys’ fees. Although the Copyright Act criminalizes some types of infringement, nearly all enforcement is by civil action brought by a copyright owner.

**G. Fair Use**

The Copyright Act excludes certain kinds of copying from copyright infringement liability. The most important is if the user can show “fair use” of the copied material, such as copying for purposes of criticism, news reporting, teaching, scholarship, or research. While fair use is not specifically defined, the Act lists the following factors to be taken into account:

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

**H. Copyright Registration**

The Copyright Act prohibits the copying of original works, regardless of whether the author formally registers his or her work with the U.S. Copyright office. There are significant advantages to registering the work, however. For instance, registration within five years raises a legal presumption of ownership and copyright validity. Registration made within three months of the work’s publication or prior to an infringement of the work also enables a court to award statutory damages and attorneys’ fees to a prevailing copyright plaintiff.

Registering a work with the USPTO involves simply filling out the appropriate form, submitting a modest fee (currently $35 per electronic application to
register one work by a single author who is also the claimant), and depositing
two samples of the work with the U.S. Copyright office.

I. Marking the Work

Since 1989, works no longer need to bear a copyright notice to be protected
under the Act. Nevertheless, it is still a good idea to mark any original work with
the word “copyright” or the “©” symbol, along with the year of publication and
the name of the author or copyright owner. Adding a copyright notice will
preclude the defense of innocent infringement, and may discourage people from
copying the work.
VI. TRADE SECRETS

A. The Nature of Trade Secret Rights

Trade secret law is often touted as the oldest form of intellectual property protection, providing protection for information that derives its value from its secrecy. Trade secret liabilities or rights arise from some special relationship between the owner of the trade secret and another party. Examples of such special relationships include the employer-employee relationship, a principal-agent relationship, and a contractual relationship.

Because trade secrets are only protectable from wrongful disclosure or misappropriation, they do not necessarily give the owner the right to exclude others, and there is generally no protection against honest, lawful discovery of trade secret information by others through, say, reverse engineering. See 18 U.S.C. § 1839(6)(B) (expressly exempting “reverse engineering, independent derivation, or any other lawful means of acquisition . . .” from the definition of “improper means”).

B. Trade Secret Sources of Law

1. Uniform Trade Secrets Act

Until recently, protecting trade secrets has largely been a matter of state law, standardized to some degree by the Uniform Trade Secrets Act of 1985 (UTSA). The UTSA has been adopted by most states, and defines trade secrets and trade secret misappropriation. The UTSA also provides remedies for trade secret misappropriation in the form of injunctive relief, damages, and attorney’s fees.

2. Defend Trade Secrets Act

On May 12, 2016, the Defend Trade Secrets Act (DTSA) became law, amending the Economic Espionage Act of 1996 (EEA) to create a federal cause of action for trade secret misappropriation. Under the DTSA, a party may bring a civil lawsuit in federal court to enforce any trade secret misappropriation “related to a product or service used in, or intended for use in, interstate or foreign commerce.” A party has three years from discovery of a misappropriation (or from when misappropriation reasonably should have been discovered) to file suit.

3. DTSA Interplay With State Law

The DTSA does not preempt state law under the UTSA, and therefore parties will retain the option of enforcing interstate (as well as intrastate) trade secrets in state court. Intrastate trade secrets, or trade secrets that are not “used in, or intended for use in, interstate or foreign commerce,” will continue to be enforceable under state law.
C. Definition Of A Trade Secret

A trade secret is generally defined in the same manner under both the UTSA and DTSA, with the DTSA providing a more comprehensive express list of what types of information may qualify as a trade secret. Both acts require the information to “derive[] independent economic value . . . from not being generally known to, . . . [or] readily ascertainable by” others who may “obtain economic value” from the trade secret’s disclosure.

<table>
<thead>
<tr>
<th>UTSA</th>
<th>DTSA</th>
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<tbody>
<tr>
<td>'Trade secret' means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:</td>
<td>The term &quot;trade secret&quot; means 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—</td>
</tr>
<tr>
<td>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</td>
<td>the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information; and</td>
</tr>
<tr>
<td>is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.</td>
<td>the owner thereof has taken reasonable measures to keep such information secret.</td>
</tr>
</tbody>
</table>

The Acts also define “misappropriation” and “improper means” almost identical to each other. See 18 U.S.C. § 1839; UTSA at § 1, Definitions.

Accordingly, factors to consider in determining whether a trade secret exists include:

- The existence of or absence of an agreement restricting disclosure;
- The circumstances under which the information was learned by others;
- The extent to which the information is known to others outside of the owner’s business;
- The extent of the owner’s efforts to maintain the confidentiality of the information;
- The value of the trade secret information to the owner and to his/her competitors;
- The ease or difficulty with which the trade secret information could be lawfully obtained by others without wrongful disclosure or misappropriation; and
- At a bare minimum, the existence of an element of secrecy or originality to the trade secret information. The information must not be a matter of public or general knowledge, and it cannot be completely disclosed by way of examination of the products or services marketed by the trade secret owner.

**D. Examples of Trade Secrets**

A trade secret can be almost anything that is secret and that derives value from such secrecy. Examples include:

<table>
<thead>
<tr>
<th>Technical Information/Research &amp; Development</th>
<th>Sales and Marketing Information</th>
<th>Internal Financial Information</th>
</tr>
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<tbody>
<tr>
<td>Formulas</td>
<td>Sales forecasts</td>
<td>Budgets</td>
</tr>
<tr>
<td>Compounds</td>
<td>Marketing and sales promotion plans</td>
<td>Forecasts</td>
</tr>
<tr>
<td>Prototypes</td>
<td>Competitive intelligence</td>
<td>Product margins</td>
</tr>
<tr>
<td>Processes</td>
<td>Proprietary information about customers</td>
<td>Product costs</td>
</tr>
<tr>
<td>Experiments and experimental data</td>
<td>Customer needs and buying habits</td>
<td>Operating reports</td>
</tr>
<tr>
<td>Calculations</td>
<td>Proprietary sales and marketing studies/reports</td>
<td>Profit and loss statements</td>
</tr>
<tr>
<td>Drawings and diagrams</td>
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<table>
<thead>
<tr>
<th>Production/Process Information, including</th>
<th>Vendor/Supplier Information,</th>
<th>Quality Control Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost/price data</td>
<td>Source</td>
<td>Quality control procedures/testing</td>
</tr>
<tr>
<td>Specialized/custom production equipment</td>
<td>Cost/price data</td>
<td>Quality control records</td>
</tr>
<tr>
<td>Specifications for production equipment</td>
<td></td>
<td>Maintenance know-how</td>
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<tr>
<td>Production know-how</td>
<td></td>
<td>Quality control manuals</td>
</tr>
<tr>
<td>Proprietary information concerning production processes (e.g., process parameters)</td>
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</table>
E. Remedies

1. Damages, Generally

The UTSA and DTSA generally provide for the same types of damages—actual losses and unjust enrichment, or, alternatively, a reasonable royalty. While the maximum penalty amount under the UTSA is $5 million, the DTSA provides a potentially higher ceiling, setting the maximum penalty at the greater of $5 million or three times the value of the misappropriated trade secret.

2. Exemplary Damages & Attorney Fees

Both the UTSA and DTSA provide for exemplary damages where the misappropriation is willful and malicious, in an amount not to exceed twice the damage award. Further, attorney’s fees may be awarded to a prevailing party in both the UTSA and DTSA where (a) a trade secret was willfully and maliciously misappropriated or (b) a claim of misappropriation or motion to terminate an injunction is made in bad faith.

The DTSA provides an additional requirement on employers seeking exemplary damages or attorney’s fees from employees. Particularly, an employer may not recover these types of damages unless it complies with a “whistleblower” notice requirement.

3. Injunctive Relief

Both the UTSA and DTSA allow a court to enjoin actual or threatened misappropriation. The DTSA, however, places two limits on such an injunction:

- First, an injunction cannot “prevent a person from entering into an employment relationship.” The injunction may, however, place “conditions” on such employment, but only if those conditions are “based on evidence of threatened misappropriation and not merely on the information the person knows.” 18 U.S.C. §1836(b)(3)(A)(i)(I);

- Second, the injunction may not conflict with any state law that “prohibit[s] restraints on the practice of a lawful profession, trade, or business.” Id. at (b)(3)(A)(i)(III).

4. Civil Seizures

The DTSA introduced a new proceeding, ex parte civil seizures, which authorizes a court, in an “extraordinary circumstance,” to “seiz[e] . . . property necessary to prevent the propagation or dissemination” of a trade secret. Although seizure may be a highly attractive avenue to pursue for trade secret owners, it must “clearly appear[ ] from specific facts” that:

i. An order issued pursuant to Rule 65(b) of the Federal Rules of Civil Procedure or another form of equitable relief would be inadequate;

ii. An immediate and irreparable injury will occur if such seizure is not ordered;
iii. The harm to applicant of denying the application outweighs the harm to
the legitimate interests of the person against whom seizure would be
ordered and substantially outweighs the harm to any third parties who
may be harmed by such seizure;

iv. The applicant is likely to succeed in showing (a) the information is a
trade secret; and (b) the person who would be subject to the seizure
misappropriated, or conspired to misappropriate, the trade secret by
improper means.

v. The person who would be subject to the seizure has actual possession
of the trade secret and property to be seized;

vi. The matter to be seized is described with reasonable particularity, and
location where the matter is to be seized is identified to the extent
reasonable under the circumstances;

vii. The person who would be subject to the seizure (or those in concert
with such person) would destroy, move, hide or otherwise make such
matter inaccessible to the court, if the applicant were to notify such
person; and

viii. The applicant has not publicized the requested seizure.


Even if granted, there are several other limitations and requirements imposed on
a seizure order, including: (a) the seizure must be the “narrowest . . . necessary
to achieve the purpose” of the order, and must “minimize[] any interruption of
the business operations” of third parties and the person subject to the order; (b)
neither party will have access to the seized material “until such parties have an
opportunity to be heard in court,” which must be within seven days of issuance
of the order unless stipulated otherwise by both parties; (c) further, the party
who requested the granted order must pay a security covering “damages that
any person may be entitled to recover as a result of a wrongful or excessive
seizure or wrongful or excessive attempted seizure . . .” Id. at (b)(2)(B-H).

5. Criminal Penalties

There are criminal penalties for certain trade secret misappropriations. While the
laws of several states criminalize the theft of trade secrets, some of the most
significant criminal penalties are imposed by the Economic Espionage Act of
1996.

a. Economic Espionage

If the trade secret is misappropriated with the intention or knowledge that the
offense will benefit any foreign government, foreign instrumentality, or foreign
agent, then an individual actor can be imprisoned for not more than 15 years, or
fined not more than $5 million or both. 18 U.S.C. § 1831. An organization that
commits economic espionage may be fined up to $10 million, or three times the
value of the stolen trade secret, including expenses for research and design and
other costs of reproducing the trade secret.

56 THE BASIC PRINCIPLES OF INTELLECTUAL PROPERTY LAW
b. Trade Secret Theft for Commercial Advantage

An individual may similarly receive prison time (not more than 10 years) and monetary penalties if the act of trade secret theft is intended to injure the trade secret owner, or is done with the knowledge that injury will be the result. The DTSA increased the monetary damages for trade secret theft, from just $5 million, to either $5 million or three times the value of the trade secret. (18 U.S.C. §1832(a)).

F. Whistle-blower Protection & Governmental Disclosure Immunity

The DTSA also creates immunity to individuals who disclose trade secrets in connection with whistle-blower investigations, to government officials, and in court proceedings. Under 18 U.S.C. § 1833(b), there can be no civil or criminal liability (under Federal or State law) for trade secret disclosures made:

A) (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or

B) made in a complaint or other document filed under seal in a lawsuit or other proceeding.

Further, employers must now provide notice of these immunities in any contract or agreement with an employee, including contractors and consultants hired by the employer, which governs the use of a trade secret or other confidential information. Failure to comply with the notice provisions may result in the employer being barred from obtaining exemplary damages or attorney fees.

G. Comparison of Trade Secrets with Patents

One of the many differences between trade secret and patent protection is the difference in potential duration. A utility patent has a term of 20 years from filing, while a trade secret can have a potentially unlimited term, as long as the secrecy can be maintained. Another significant difference is the scope of protection. A patent generally confers an absolute right to stop anyone from making, using or selling the patented invention.

A trade secret is only protected from improper acquisition and use. It is entirely proper for someone to independently develop and use the trade secret, and even to reverse engineer the trade secret by studying and analyzing the owner’s commercial product. Therefore, although they may have a shorter duration, patents generally afford more complete protection.

Another substantial difference between patents and trade secrets is the scope of the subject matter they protect. Some trade secrets, for example customer lists, do not relate to a type of information that can be patented. Other trade secrets, for example, a minor improvement to a process, may be so close to the prior art that it would not be possible to obtain a patent. Sometimes there is no choice but to rely on trade secret protection.

Patent and trade secret protection are generally considered incompatible because when a patent issues or a patent application is published, its contents
are made public, destroying any secrecy. A patent applicant cannot hide confidential information about the patented invention because the patent laws require complete disclosure, including a written description and an explanation of the manner of making and using the invention in terms that would allow a person of ordinary skill in the relevant technical area to make and use it. Moreover, the inventor must disclose the best mode of the invention at the time of filing in order to gain the right to exclude others from practicing the invention.

Legal rights regarding trade secrets arise from the relationship between two or more parties generally in contract. As such, if trade secret information is wrongfully disseminated, for example, by publication on the web, anyone who lawfully received the information is free to use it. The only recourse is against the person or entity that violated a duty by disseminating the information. This limitation may indicate that patent protection is the better option for those concepts that qualify.

H. Interaction of Trade Secrets and the America Invents Act (AIA)

Trade secrets were not substantively altered by the AIA, but the AIA does provide them with some added protection. Although the AIA changed the patent process to a first-to-file regime, the Act includes a somewhat expanded defense for holders of trade secrets accused of patent infringement. If the trade secret holder can prove internal commercial use occurred at least one year prior to the claimed invention’s filing date, the holder will not be held to infringe and may continue use. Admittedly, this is a narrow defense with limitations, for instance the fact that the defense may be asserted only by the entity or person controlling the secret and cannot be transferred.

Considering the limited extent of these changes, the prior use defense likely will not play a large role for most trade secret owners or patent holders. Trade secrets bear some inherent risk and require the owner to take measures to protect the secret, extending to all those entrusted with the information.

I. Trade Secret Recommendations

Trade secrets are often a company’s most valuable asset. In deciding whether a business has a protectable trade secret, courts usually consider the steps the business has taken to safeguard the information. An established program not only reduces the risk of losing confidential information, but also increases the likelihood that courts will step in to protect the information if there is a loss.

The owner must take affirmative steps, reasonable under the circumstances, to protect information secrecy. Common steps include some or all the following (and may include additional or different steps depending on the specific business):

1. Notifying the recipient of trade secrets, preferably in writing, that the information is proprietary and not to be disclosed or used by the recipient for recipient’s or other’s benefit without the express consent of the trade secret owner.
2. Entering confidentiality and non-disclosure agreements with employees and third parties.

To reflect the new provisions of the DTSA, employers who disclose trade secrets to their employees, contractors, or consultants should update their internal confidentiality and non-disclosure documents; this includes employee confidentiality and non-disclosure agreements, employment agreements, and any other documents such as employee policies or handbooks that outline or specify confidentiality provisions imposed by the client in connection with the disclosure of trade secrets.

3. Establishing, maintaining, and distributing written confidentiality policies to all employees.

4. Establishing and maintaining oversight policies and procedures to prevent an employee’s inadvertent disclosure of trade secrets in written publications, or at seminars, speaking engagements or trade shows.

5. Instituting overall physical plant security precautions, such as fencing the perimeter of the company premises, limiting the number of entrances and exits, using alarmed or self-locking doors, and hiring after-hours security personnel.

6. Installing visitor control systems.

7. Restricting access to trade secrets by making both physical and electronic files accessible only on a “need-to-know” basis.

8. Establishing secretly coded ingredients or data.


10. Separating components of a trade secret between or among departments and/or company personnel so that each has only “a piece of the puzzle.”

12. Stamping documents and drawings with “CONFIDENTIAL” or “PROPRIETARY.”


14. Establishing physical barriers to prevent unauthorized viewing of proprietary process technology.

15. Installing “KEEP OUT” or “AUTHORIZED PERSONNEL ONLY” signs at access points to sensitive areas and having a policy of enforcement.

16. Establishing and maintaining written rules and regulations prohibiting employees from remaining after hours without express permission from authorized personnel.

17. Establishing and maintaining rules and regulations requiring employees to remain in controlled areas.

18. Requiring employees to wear identification badges or carry identification cards.
19. Requiring sign in/out procedures for access to, and return of, sensitive materials.

20. Reproducing only a limited number of sensitive documents and maintaining procedures for collecting all copies after use.

21. Requiring authorized codes or passwords for access to copying machines and computers. Using key and encrypted computer data access to protect against the theft of secret computer-stored information.

22. Establishing and maintaining policies and procedures for document destruction, including the use of shredders.

23. Establishing and maintaining a policy and practice for regularly advising company employees on the company’s trade secret and confidential business information.

24. Holding exit interviews to ensure the return of company documents and to remind former employees of their obligation not to use confidential company information for their own benefit or the benefit of others.

25. Provide notice of DTSA immunities in all contracts and agreements. Example notice language is provided below:

You may not be held civilly or criminally liable under any federal or state trade secret law for disclosure of a trade secret that: (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The best advice for trade secret owners is to be vigilant because rights are only protected if secrets are treated as secrets.
VII. CONTRACTS

Contracts or agreements may be used to establish, preserve or transfer rights in intellectual property. Because of the breadth of agreements in which parties can engage, this topic is presented here in general terms. Contract law is complex, and usually is handled by attorneys with particular knowledge in this area. Antitrust, franchise law, and international trade issues often are encountered, and legal advice in negotiating intellectual property agreements is highly recommended.

Examples of contracts involving intellectual property issues include confidentiality or non-disclosure agreements, assignments, licenses, and other transfers of rights agreements, joint development agreements, and option agreements.

A. Confidentiality or Non-Disclosure Agreements

Confidentiality or non-disclosure agreements often are included as part of employment agreements, are signed between an inventor and a third party considering purchase, license or sale of the invention, or between parties engaged in business relationships including licensing or sale or joint development of technology. Confidentiality agreements also may be used to preserve the status of information as a trade secret or as confidential information. These types of agreements often are used between businesses considering new products or business proposals. Inventors also use these types of agreements to describe an invention to another party without triggering the time bar problems previously described. Key provisions of these agreements are:

- The identity of the parties and the individuals it applies to;
- The permitted use(s) of information received; and
- The duration of the obligations.

It is important to recognize that these agreements usually do not deal with the treatment of new inventions developed by one or both parties. Those provisions are usually addressed in joint development agreements (see section D below).

B. Agreements Transferring Intellectual Property

Examples of these types of agreements include patent, copyright and trademark assignments, which are agreements to transfer intellectual property ownership rights to another party. In situations where a patent application is filed for an employee’s invention, an assignment is usually part of the formal papers he or she signs during the application process. By signing this document, the employee transfers all legal title to the invention to the employer. Agreements including obligations of assignment of rights often are signed when an employee first begins working at a company. Assignment agreements also are used to transfer ownership in existing intellectual property assets, for example, when a company acquires another company, when a company purchases all rights in technology including rights in the intellectual property incorporated in the
technology. Companies also may assign rights when retained to develop technology or intellectual property for another.

C. License Agreements

License agreements are used to give limited intellectual property rights to another party. Patent, trademark, copyright, trade secrets and software may be the subject of such agreements. A license agreement’s provisions can take an almost endless variety of forms. For example, a license may grant rights to another party applicable worldwide or to a limited geographic region. Particularly in the case of patent licenses, limitations on the type of products that can be sold—such as their performance capabilities, size, shape, etc.—also can be provided for in the license agreement. Licenses can be exclusive, in which only one party is granted rights under the development, or non-exclusive, which enables the owner to transfer similar rights to other parties. The agreements also may include cross-licensing terms, where each party grants a right to use its intellectual property to the other party. Consideration in the form of royalty payments may include a lump sum, up-front payment and/or or “running royalty” payments paid over time based on some economic or business factor, such as volume of sales or production. Settlement agreements resolving litigation may include license terms for future use of the asserted intellectual property rights.

D. Joint Development Agreements

These types of agreements are entered into between parties collaborating to develop a new product or method. The agreements generally include a description of each party’s expected contributions during a development program. These agreements often specify the ownership of intellectual property assets brought to the relationship and of those that are developed during the cooperative program, typically referred to as program or foreground intellectual property. Intellectual property ownership and license rights in program intellectual property are defined between the parties based on numerous factors, including financial contributions, exclusivity, technology expertise, and field of use—industry and territory. Joint development agreements frequently include mutual confidentiality agreement provisions.

E. Option Agreements

Option agreements typically provide an exclusive right for a party to evaluate a technology for a period of time prior to purchasing intellectual property or entering into a license agreement. These agreements apply to situations where a party wishes to consider taking a license or an assignment of rights, but needs time to explore the commercial opportunities more fully. For example, a company may wish to evaluate an invention developed by an outside inventor to determine if it will meet its requirements and specifications, and can be manufactured within cost targets.
VIII. INTELLECTUAL ASSET MANAGEMENT

Once a company has accumulated an intellectual property portfolio, it is important to manage that portfolio with the goal of maximizing returns on investment and extracting value when opportunities arise. Managing a portfolio is a continually evolving, multi-disciplined activity, and must be conducted on a regular basis given constant changes in business and legal climates.

The first step in managing intellectual assets is to complete an inventory: What assets are in the portfolio? What subject matter do the assets cover? Is there a geographically limit to their scope? Are the assets tied to a specific product, process or business unit? A helpful step is to map the assets to specific products, processes or business units.

Once the assets are tallied and categorized, they should be audited. For example, if a specific product is covered by a patent, this product should be properly marked with the patent number. Any license agreement related to the patents or products also should be cataloged.

Additionally, are secrecy measures and/or standard agreements such as nondisclosure agreements in place in order to protect the intellectual assets? Employment agreements and corporate intellectual property policies also should be reviewed to ensure intellectual asset ownership. This audit allows gaps to be identified and a plan to be established to fill those gaps. Finally, assess where the dollars are currently being spent.

Next, establish a comprehensive understanding of the current intellectual property landscape. Who are your competitors and what are their intellectual assets? Identify key research institutes/universities and prior art in your technology field, and continually monitor developments and related patents/patent applications. Who is citing your intellectual property in their development? Review issued patents at the USPTO to find out. Additionally, what are the current technology and research trends and how can your company leverage them?

Along with the current intellectual property landscape, an up-to-date understanding of the legal landscape is also necessary. The latest developments in case law, USPTO regulations, legislative changes, and foreign law enforcement trends are among the areas that must be closely monitored to make strategic and cost-effective decisions concerning your intellectual property portfolio.

Various revenue tools can be employed to extract value from a portfolio. For example, the portfolio can and should be “pruned” on a regular basis to eliminate assets that no longer provide value to the company. These assets also can be donated to third parties, such as universities, in order to provide the company with tax benefits. Additionally, licensing opportunities can be identified for certain assets, whether they are a result of pruning activities or they remain in the portfolio.
Competitive scanning is also part of the process of extracting value, because it allows opportunities for licensing or intellectual property enforcement to be identified. This scanning can be achieved by reviewing issued patents and published patent applications at the USPTO on a weekly basis, attending trade shows/conferences, and reviewing trade journals. Additional tools include intellectual property bonds, auctions, acquiring intellectual property, patent marking, software to mine a portfolio for opportunities, and in-house training for all disciplines to better identify opportunities.
IX. INTELLECTUAL PROPERTY ENFORCEMENT AND DEFENSE

A. Approaches to Intellectual Property Enforcement

If your intellectual property is being infringed upon, there are several options available to help you protect your rights. The basics of some these are outlined here.

1. Bringing a Lawsuit

The federal courts have exclusive jurisdiction over most patent, trademark, and copyright matters. Both federal and state courts have jurisdiction over trade secret issues, and if trade secret misappropriation results in the importation of unfair trade products, it may be possible to bring an action before the U.S. International Trade Commission (ITC).

In any state or federal litigation, the filing attorney should ensure that the court has personal jurisdiction over the defendant(s). In the ITC, an action may be brought against the product (in rem) even if the ITC does not have personal jurisdiction over the importer.

If the United States government or a vendor supplying the government infringes on a patent, the patentee has a remedy for damages in the U.S. Court of Federal Claims. While the government may use any patented invention without patentee permission, the patentee is entitled to obtain compensation for its use.

The USPTO has no jurisdiction over questions relating to infringement.

Most patent related cases and cases before the ITC are appealed to the CAFC. Trademark, copyright and trade secret cases are appealed to the circuit court of appeals for the geographic area in which the district is located.

2. Sending a Demand Letter

Before initiating a legal proceeding, IP owners may want to consider sending a letter to the suspected infringer putting the recipient on notice of your IP rights and demanding that the infringement cease. Although a potential cost-saving measure, demand letters should be approached with caution because sending such a letter is likely to give the recipient standing to bring a declaratory judgment action. In a declaratory judgment action, the alleged infringer chooses the forum and typically asks the court to find that no infringement exists and that the patent is invalid and unenforceable. In addition, some states have passed legislation requiring that cease and desist letters, particularly in patent cases, contain certain, specified information about the asserted patent and the alleged infringement. Failure to comply with these regulations can subject the sender to legal action.

3. Initiating an ITC Proceeding

The International Trade Commission (ITC) is a governmental agency with investigative powers to resolve intellectual property disputes involving imported goods. ITC proceedings are initiated by patent, copyright, trademark or trade
secret owners who seek to stop the importation of products that infringe their intellectual property rights.

The ITC is an attractive forum to intellectual property owners because it offers a quick and unique remedy against infringing imports. Discovery, often wide ranging in scope and reach, is completed within a few months, a hearing on the merits occurs within approximately nine (9) months, and a ruling is issued approximately three months after the hearing.

The ITC issues relief in the form of an exclusion order that bars importation of the infringing product. U.S. Customs and Border Protection enforces the ITC’s exclusion orders by prohibiting the entry of excluded imports at the U.S. border.

The ITC also may issue cease-and-desist orders that prohibit the sale or distribution of imports already within the United States. Monetary damages are not available, but enforcement proceedings against companies and individuals violating an exclusion order are possible.

The ITC also is unique in that it may, upon petition, issue advisory opinions as to whether a product, often a redesigned product, falls outside an exclusion order.

4. UDRP Administered by ICANN

If someone is using your trademark in a domain name, the Uniform Dispute Resolution Policy (UDRP) administered by the ICANN may be available to resolve the dispute.

Under the UDRP, a trademark owner may pay a small fee to file a complaint online with an ICANN approved agency, and have one or more panelists determine whether the complained of use is improper. There is very little expense involved because there is no evidential or oral presentation. The panelists have the power to transfer the domain name to the trademark owner, and the losing party may file a lawsuit to challenge the result within ten (10) days of the panelists’ decision.

B. Challenges to Intellectual Property Rights

1. Administrative Proceedings Involving Patents

As discussed above, there are a number of proceedings available to accused infringers and other members of the public who seek to challenge the validity of an issued patent. These proceedings may be pursued in advance of or contemporaneously with litigation. Depending on the timing of these proceedings, a district court may grant a stay of the judicial proceeding pending resolution of the PTAB proceeding.

Under certain circumstances an accused infringer may be able to provoke an interference proceeding. If a pending patent application with an effective filing date prior to March 16, 2013 includes the same subject matter as the patents-in-suit, an interference may be provoked and the USPTO may undertake an investigation to determine whether the patentee or the patent applicant should obtain priority.
2. Administrative Proceedings Involving Trademarks

Before a trademark registers it is published by the USPTO for an opposition period. During this period, which is typically 30 days, anyone may file an opposition to the trademark. An opposition proceeding is decided by the Trademark Trial and Appeals Board (TTAB).

After a trademark is registered, the USPTO may cancel the registration under certain circumstances. A requestor may submit a petition for cancellation to the USPTO.

The losing party in opposition and cancellation proceedings may appeal the decision to the CAFC or file a lawsuit in a federal district court.

C. Remedies for Intellectual Property Infringement

1. Patents

A patent owner may be able to obtain a preliminary and/or permanent injunction to cease infringement. Permanent injunctions are a more common remedy in patent cases where the patent owner and accused infringer are competitors. If the patent owner does not practice the claimed invention, courts are much less likely to grant an injunction because monetary remedies are likely adequate. In addition, judges will not award an injunction when, for example, the public interest outweighs private interests. In such a case, the result is a compulsory license based on a reasonable royalty.

In addition to or in lieu of an injunction, the owner of a utility patent may be awarded damages for patent infringement. While a damages award may be calculated based on lost profits under certain circumstances, the more typical damage model is based on a reasonable royalty. In both instances, lost profits and reasonable royalties are based on the damage attributable to the claimed invention. In other words, in a multiple component/feature product, the entire market value of the accused product often does not serve as the basis for the damage calculation. In contrast, for design patent infringement, a patent owner may elect to recover the accused infringer’s total profit attributed to the portion of the article of manufacture that infringes claimed invention. Alternatively, the owner of the design patent may elect to recover its lost profit or a reasonable royalty.

If patent infringement is willful or egregious, enhanced (increased) damages may be awarded. Willful infringement may occur when, despite having actual knowledge of the asserted patent, the infringer continues the infringing activities in bad faith, maliciously or deliberately. The absence of an opinion of counsel alone cannot be used to prove willful infringement, but it may be evidence of good faith.

In exceptional patent infringement cases, reasonable attorneys’ fees also may be awarded.
2. Trademarks

An injunction is a common remedy for trademark infringement. Monetary damages also may be available. Such damages may include the infringer’s profits, the trademark owner’s lost profits, and other damages and costs sustained. In the case of a counterfeit mark, statutory damages may be elected in lieu of actual damages. Treble damages may be available for bad faith trademark infringement. Treble damages are available by statute in counterfeiting cases. Courts also may order the destruction of the infringing articles.

3. Copyrights

Injunctions against future infringement may be ordered in copyright cases. An infringer also may be liable for monetary damages. In certain cases, the copyright owner may elect to receive statutory damages or actual damages and any additional of the infringer’s profits. Attorneys’ fees and costs also may be awarded at the discretion of the district court.

In addition to civil remedies, an infringer could have criminal sanctions applied against him/her, including fines, jail sentences, and forfeiture and destruction of the infringing goods.

4. Trade Secrets

Trade secret remedies vary by state. Many states have enacted a form of the Uniform Trade Secrets Act, and remedies in these states may include an injunction, money damages, and recovered attorneys’ fees (for willful misappropriation). Punitive damages are available in some common law states.

D. Declaratory Judgment Actions

The recipient of a demand letter typically has standing to bring a declaratory judgment action. One advantage of filing such an action is the ability to select the forum in which the case will be heard. In a declaratory judgment lawsuit, the accused infringer may seek a declaration of non-infringement or a finding of invalidity or unenforceability of the intellectual property. Note, however, that before filing a declaratory judgment of patent invalidity, the accused infringer should consider whether to file a petition before the PTAB challenging the patent’s validity. Some post-grant procedures are only available to petitioners who have not affirmatively sought court resolution of the validity issue.

As with any court filing, the party filing a declaratory judgment action must have a good faith basis for filing its complaint.

E. Defense of Lawsuits

Upon receiving a complaint of intellectual property infringement, it is important to begin planning your strategy immediately. Intellectual property lawsuits typically involve a large amount of discovery. Both technical experts and damages experts are commonly used by all parties.
In a patent infringement case, an accused infringer may argue that there is no infringement of the asserted patents, that the patents are invalid, and/or that they are unenforceable. For example, accused infringers often seek to establish invalidity by demonstrating that the claims are not directed to patentable subject matter or that the claims are indefinite, and/or by introducing prior art to prove that the patented invention was obvious or lacked novelty. Accused infringers also may seek to obtain a decision that the patent is unenforceable by showing, for example, that the patentee committed inequitable conduct. Other defenses may include allegations that the patent lacks a sufficient written description, that the patentee engaged in patent misuse, or that other facts warrant an affirmative finding of non-infringement based on license, patent exhaustion, estoppel or intervening rights.

Counterclaims also should be considered — counterclaims for a declaration of noninfringement, invalidity or unenforceability; counterclaims asserting the defendant’s patents against the plaintiff; antitrust and patent misuse counterclaims; and counterclaims alleging other types of intellectual property infringement or breach of contract.

In a trademark infringement case, defenses may include arguments that there is no likelihood of confusion between the plaintiff’s and defendant’s trademarks, or that the trademark is not protectable because it is generic, functional, or was abandoned. Prior use also may be a defense, as well as nominative use, parody, and the First Amendment.

In the case of patent or trademark actions, it may be advantageous for an accused infringer to initiate a parallel proceeding before the U.S. Patent and Trademark Office to challenge validity or registrability.

Fair use is a recognized defense in copyright infringement cases. Fair use is a fact-based inquiry in which the fact finder considers the purpose and character of the use, the nature of the copyrighted work, the amount and substantiality of portions used, and the impact of the use on the potential market for the copyrighted works. Other defenses in copyright actions include independent creation, no valid copyright, and the first-sale doctrine.

In a trade secrets case, parties accused of misappropriation often will argue that there is no trade secret because insufficient measures were taken to maintain secrecy or because the information is widely known. Defendants also might argue that the information was acquired by proper means or that the information actually belongs to them.

Other options for defending intellectual property litigation may involve filing motions to dismiss, which could be based on the failure to join all of the intellectual property owners, lack of federal jurisdiction if the only underlying issues are contractual, and lack of standing if the plaintiff is not the owner of the patent at issue or lacks all substantial rights to the patent at issue.
X.  FINAL WORDS

We hope this book provides a helpful starting point for understanding a complex and ever-changing area of the law, and that readers of this summary will feel more informed about intellectual property issues than can affect your business. For more information and updates about intellectual property rights, please visit our website at www.brinksgilson.com or follow us on Twitter at @brinksiplaw.

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