



Legal:GPS

Growth and Protection Strategies to Help Navigate Your Business Success

IP Ownership: *Freedom to Operate, Avoiding Disputes*

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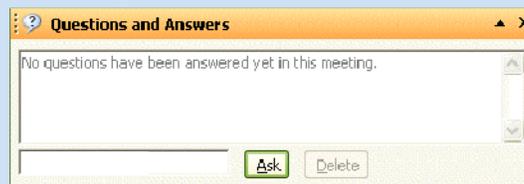


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Today's Panelists

Dr. Hollis Kleinert

- President of Kleinert Scientific/Commercial Consultations
- Has extensive experience dealing with issues of IP ownership and management
- Former:
 - President and CEO, Protometrix, Inc. (acquired 2004)
 - Global VP Oncology, Cardiovascular, Metabolic Diseases Commercial Franchises, Searle-Monsanto
 - Division Director, Venture Head R&D Pharmaceutical Development, Abbott Laboratories
 - Faculty member Dept. of Medicine, Cornell Medical Center – NY Hospital



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Today's Panelists

Carole Handler

- Vice Chair of Foley's IP Litigation Practice and member of the Trademark, Copyright & Advertising and Antitrust Practices, as well as the Entertainment Industry Team
- Experience with entertainment, trademark, copyright and antitrust cases in state and federal courts
- Focuses practice on copyright in new media, antitrust, and the interface of antitrust and intellectual property
- Earned her law degree from the University of Pennsylvania Law School



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Overview: Corporate IP Strategy

- The basics: What is intellectual property and why is understanding it important for growing companies?
 - Patents
 - Copyrights
 - Trademarks
 - Trade secrets
 - Other intellectual property



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IP vs. “Hard” Property

- Should the law treat intellectual property differently from “hard” property?
 - Unique frameworks for patent, copyright & trademark



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Drug IP Estate Strategies

- Offensive patents
 - Types, eg. composition of matter, processes, uses
 - Defensibility – foundation of business
 - Budget – resources, best use of funds
 - Freedom to operate
- Defensive patents
 - Leadership positioning



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New Drug IP Strategy

- Employee contracts grant company ownership
- New drug structures and related ideas written in notebooks, co-signed by witness and dated
- Filing decisions (issuance and freedom to operate)
 - Patent attorneys research possibility of infringement
 - Defensible? Claims, supportive data, country dependent
 - Marketing strategy (no. countries, types of patents)
 - Budget – filing and maintenance



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Additional Competitive Strategies

- Trade secrets
- Convert trade secrets into patents
- Delay patent filing
- Trademarks, copyrights – role of branding
- Evolving the patent estate and extending franchise in life cycle management



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Only Patents and Copyrights are Constitutionally Based

- U.S. Constitution, Article III, Sec. 8, cl. 8; “Congress has the 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.”



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What is Distinctive About Patents and Copyrights?

- Protection is for **limited** times – eventually rights move into public domain
- Private ownership is meant to serve public good
- Rights are exclusive, “limited monopolies”
- Jurisdiction is federal



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What is Distinctive About Trademarks?

- Federally regulated, but can be protected at state level
- Source identification
- Like diamonds, trademarks are forever



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Patents and Copyrights are the Strongest Protection

- The patent and copyright laws allow the holders of rights to exclude others from using, selling, copying, making, or distributing protected items for a “limited” period — “legal monopolies”



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The Patent or Copyright Owner, Within Legal Limits, Can Do As It Wishes

- A patent or copyright owner may exclude others within scope of the patent or copyright
- The intellectual property holder is not obligated to license or exploit her grant
- Strong competitive tool for business owners

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The Right to Do Nothing

- Under patent or copyright law, “a [patent or] copyright owner has the capacity arbitrarily to refuse to license one who seeks to exploit the work.” *Stewart v. Abend* (“Rear Window” case), 495 U.S. 207, 228-229 (1990). Indeed, “nothing in the copyright statutes would prevent an author from hoarding all of his works during the term of the copyright.” *Id.*

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But – This Right Never Includes Breaking the Law

- (*United States v. Paramount Pictures Corp.*, 334 U.S. 131 (1948))
 - “Microsoft’s primary copyright argument borders upon the frivolous. The company claims an absolute and unfettered right to use its intellectual property as it wishes That is no more correct than the proposition that the use of one’s personal property, such as a baseball bat, cannot give rise to tort liability.” *U.S. v. Microsoft*, 253 F.3d 34, 68 (D.C. Cir. 2001)



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Patents

- Patents are the strongest form of IP protection
- Most restrictive time period (17 years)

What can be patented?

[inventions, processes, business methods]

What is the process?

[application to patent office, need lawyers and experts, expensive and time consuming]



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Limitations on Patent Rights

- Cannot bundle or “tie” illegally
- Cannot appropriate group standards
- Cannot omit prior art or otherwise procure a patent by fraud on the patent office
- Cannot “extend” patent rights via trade dress, minor modifications to expiring patent
- Cannot collusively settle patent litigation




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Copyright

- Protects original work fixed in a tangible medium of expression
- Subject matter of copyrights:
 - Literary works; computer programs and software; architectural works; dramatic, pantomime and choreographic works; motion pictures & other audio-visual works; musical works and sound recordings
 - Subject matter that is not copyrightable includes: facts, short phrases, words, titles, slogans, scenes a faire
 - Idea v. Expression; only expression is copyrightable. No monopoly of ideas.




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What is Copyrightable?

- Derivative works
 - Where a work is based on one or more preexisting works (e.g. translation)
 - To be considered a derivative work the new matter must be original
 - The copyright only extends to new, not the preexisting material



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What is Copyrightable? (cont'd)

- Compilations
 - Where the combination of previous works, as a whole, create an original work (e.g. original selection of material)
- Collective works
- Utilitarian or functional works are not copyrightable



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What is Copyrightable? (cont'd)

- If there is a choice (e.g., design patent or copyright) which tool is right, or more effective in the circumstances?
 - Sunglass frame
 - Belt buckle
 - Software
 - Business method
 - Artistic work
 - Lamp design



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Exclusive Rights of the Copyright Owner

- Defined by Section 106
- Duplication, display, distribution, public performance, creating derivative works
- Rights may be “sliced” to license



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Authorship (Very Important Concern for Business Owner)

- Initial authorship – copyright in a work vests initially in the party bringing suit, or the copyrights must have been transferred to that party
- Works for hire
 - The employer or person for whom the work was prepared is considered the author unless the parties expressly agreed otherwise in contract




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Two Types of Works For Hire

- Work prepared by an employee
- Work prepared by independent contractor that was specially ordered / commissioned
 - [Work must fall into one of the following enumerated categories: contribution to a collective work; part of motion picture or audio visual work; translation; supplementary work; compilation; instructional text; AND
 - Parties must have signed a contract agreeing that the work was a work made for hire]
 - Requires careful negotiation




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Issues

- Most difficult issues: Who owns what? What can you use and when has your IP been infringed?
- Infringement
 - Copyright owner has the exclusive right to do and authorize the: (1) reproduction, (2) Adaptation (derivative works), (3) distribution, (4) public performance (5) public display, and (6) public digital transmission (sound recordings only)
 - The work must have been created by the party bringing suit or the rights must have been transferred to that party




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Fair Use Defense (Important to the Accused Infringer)

- Purpose and character of the use
 - Purpose: commercial v. non-commercial / educational
 - Character: type of work (e.g. the more transformative the work the more likely it is to be fair use)
- Nature of copyrighted work (type of work, is person copying the work taking ideas or expression)




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Fair Use Defense (cont'd)

- Amount and substantiality of the copyrighted work taken
- Effect of use on potential market or value of copyrighted work
 - Must take into the account the market for derivative works
 - There are two possible types of effect on the market: (1) Substitution of the copyrighted work (2) Transformation of the work (this counts as fair use)
- Courts do not like fair use



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Emerging Issue

- Application to new technology, ISP, caching, linking and framing
 - Law is beginning to be clarified here: Perfect 10 and YouTube cases
 - Complex issue for business owners in new media companies



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Trademarks

- Important to identify business and protect competition
- Trademarks cover marks, trade names, business names and general appearance of articles; “trade dress”
- Trademarks/trade dress identify source of goods, protect consumers, and competitive interests of business owners



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Trademarks (cont'd)

- “Descriptive” trademarks are not strong; law disfavors too loose a designation that approaches a generic term
 - Shredded wheat
 - Aspirin
 - Oatmeal
 - Cola
- What about Xerox, Formica and Google?
- “Genericide,” a concern for business owners



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Enforcing and Protecting Trademark Rights

- Trademarks are forever
- Infringement and dilution
- Obtaining a mark; use and intent to use
- Invalidating a mark
- Remember to renew!

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Trade Secrets

- Creation of state law, others are federal
- Other state law tools:
 - Unfair competition laws
 - Civil litigation, tortious interference

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Questions & Answers

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