

Protecting Intellectual Property and Trade Secrets in the United States and Beyond

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I.

INTRODUCTION

We live in a society that not only is increasingly dependent on “know-how” and technology but which is increasingly globalized. The knowledge-based industries which tend to dominate our economy are dependent on the law to protect the valuable intellectual property rights that are integral to such know-how and innovation. The internationalization of our business world, both in the “brick and mortar” sense and via the Internet, poses additional challenges to the application of traditional concepts in an ever-changing world.

In this article, the goal is to provide a basic overview of U.S. intellectual property law and some aspects that are significant to U.S. businesses abroad. As used here, “intellectual property” includes patent, copyright, trademark, domain name, and trade secret law, as well as treaties affecting those rights both domestically and internationally.

II.

DIFFERENCES BETWEEN TRADEMARKS, COPYRIGHTS, PATENTS AND TRADE SECRETS

A. *Trademarks*


A trademark is a “word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source”¹ of the goods or services of one party from those of others.² A trademark relates specifically to goods and a service

¹ See http://www.uspto.gov/faq/trademarks.jsp#_Toc275426672.

² See *Trademark FAQs*, U.S. PATENT & TRADEMARK OFFICE, http://www.uspto.gov/faq/trademarks.jsp#_Toc275426672 (last visited Mar. 12, 2015).



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mark relates specifically to services; however, the term “trademark” is generally used to refer to both trademarks and service marks.³ In simple terms, a trademark typically relates to the name, logo, and/or slogan associated with a particular product or service. Examples include “Coca-Cola®,” the Nike swoosh, ® and “Don’t leave home without it.®”

Trademark protection is available in several formats. Registration of a standard character mark provides the broadest protection because the applicant is seeking protection of the actual word(s) that comprise the mark without claim to any particular font, size or color.⁴ This means that any use of a confusingly similar mark by another may be prohibited.⁵ Trademark protection is also available for a stylized design, *i.e.*, a logo.⁶ This offers less protection than the standard character format because the owner may only be protected against someone else’s use of a similar stylized design, not the actual words.⁷ Consequently, an owner can have two separate trademarks – one for the standard character mark and one of the stylized design.

The purpose of a trademark is to prevent the likelihood of confusion to the consuming public as to the source of particular goods or services.⁸ Consumers rely on labels, logos and slogans to help them recognize preferred products or services and to prevent confusion with competitors, and trademarks assist in this process.⁹ The owner of a trademark is entitled to protection from use by others of a confusingly similar mark for the *same goods or services*.¹⁰

³ *Id.*

⁴ 37 C.F.R. § 2.52 (a) (West 2014).

⁵ 15 U.S.C. § 1052(d) (West 2014).

⁶ 37 C.F.R. §2.52 (b) (West 2014).

⁷ 15 U.S.C. § 1052(d) (West 2014).

⁸ *Id.* § 1127; *see also* OBX–Stock, Inc. v. Bicast, Inc., 558 F.3d 334, 339 (4th Cir. 2009).

⁹ *Id.*

¹⁰ *Id.*



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This is important because one cannot prevent someone from using a similar mark if it is used in relation to different products or services because there would be no likelihood of confusion to the consuming public.¹¹

There are two main requirements for trademark protection: distinctiveness and actual use in commerce.¹² The best trademarks are distinctive and arbitrary.¹³ That is, there is no logical relationship between the mark and the product or service to which it relates.¹⁴ Some examples include Apple® computers or Kodak® cameras. If a mark is merely descriptive of the product or service to which it relates, it typically will not be entitled to protection unless the owner can establish that the mark has achieved secondary meaning in the marketplace.¹⁵ Secondary meaning is shown by providing evidence that the public has come to associate the mark with your product or service.¹⁶ Such evidence may include marketing and sales information and public survey information.¹⁷ If a mark is generic, it will not be entitled to protection.¹⁸ Generic marks simply describe the product or service.¹⁹

¹¹ *Id.*

¹² One may also seek federal protection of a mark with the USPTO on an “Intent to Use” basis. See *supra* Section III (B).

¹³ See *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

¹⁴ *Id.*

¹⁵ See *Black & Decker Corp. v. Dunsford*, 944 F. Supp. 220, 224 (S.D.N.Y. 1996).

¹⁶ *Id.* at 226.

¹⁷ *Id.* at 227.

¹⁸ See *Filipino Yellow Pages, Inc. v. Asian Journal Publications, Inc.*, 198 F.3d 1143, 1147 (9th Cir. 1999).

¹⁹ *Id.*



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both in the construction litigation context and in real estate development. He has relations with a broad range of experts, whether technical, financial or otherwise, who can come to the aid of his clients in the litigation context. He has handled insurance defense work for multiple property and casualty liability insurers ever since he began the practice of law. He has had extensive experience in Intellectual Property matters, including trademark and services mark issues, copyright issues and patent litigation matters. He has published a number of articles relating to his areas of practice.

Actual use of the mark in commerce is also required for trademark protection.²⁰ When filing an application for federal registration based on use, the applicant must submit a specimen that reflects the actual use of the mark in commerce in connection with the goods or services for which it is seeking protection.²¹ For goods, examples may include product labels or tags.²² For services, examples may include advertisements, websites and brochures.²³ A trademark is valid for as long as it is used.²⁴

All trademarks run the risk of becoming generic over time, so it is critical to both *use* and *police* a mark to avoid this from occurring.

B. Copyrights

A copyright protects the original, creative expression of works of authorship.²⁵ Practitioners often confuse trademarks and copyrights. A trademark identifies goods or services so

²⁰ 15 U.S.C. § 1127 (West 2014).

²¹ See *Trademark FAQs*, U.S. PATENT & TRADEMARK OFFICE, http://www.uspto.gov/faq/trademarks.jsp#_Toc275426695a (last visited Mar. 12, 2015).

²² *Id.*

²³ *Id.*

²⁴ See *Trademark FAQs*, U.S. PATENT & TRADEMARK OFFICE, http://www.uspto.gov/faq/trademarks.jsp#_Toc275426707 (last visited Mar. 12, 2015).

²⁵ 17 U.S.C. § 102 (West 2014).



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that a consumer will not be confused as to its source, while a copyright protects the owner’s right in an abstract design or other creative product. A copyright protects the original expression of ideas – not the idea or general concept underlying the expression.²⁶

In order to be copyrightable, the work must be: (1) fixed in a tangible form; (2) an original work of authorship; and (3) fall within the subject matter of copyright.²⁷

A work is considered to be “fixed in a tangible form” if it is produced in such a way that it can be sent, received, saved, viewed, heard or copied.²⁸ An audio-visual transmission is “fixed” if a fixation of the work is being recorded simultaneously with its transmission, meaning that live broadcasts are still copyrightable. The most common examples of fixation of a work are writing the work down on paper or posting on the Internet, or recording a performance of the work on a computer, tape, compact disc, or hard drive.

An “original” work means only that the author independently created the work, rather than merely copying it from other works.²⁹ Although the work must possess some independent creativity, the level of creativity required is extremely low, and a work satisfies that requirement as long as it possesses some creative spark, no matter how crude or obvious. In

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Feist Pubs., Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991).

other words, copyrighted matter need not be strikingly unique or novel; rather, any distinguishable variation of a pre-existing work resulting from an author's independent creative effort is sufficient.³⁰

While the Copyright Act of 1976 enumerates a list of works that are copyrightable, it makes clear that such list is a nonexclusive, illustrative list. The eight categories of works that have expressly been made copyrightable are: (1) literary works, (2) musical works, including any accompanying words, (3) dramatic works, including any accompanying words, (4) pantomimes and choreographic works, (5) pictorial, graphic and sculptural works, (6) motion picture and other audiovisual works, (7) sound recordings, and (8) architectural works.³¹ Compilations and derivative works can also be entitled to protection,³² as well as several other types of works that are not enumerated in the Copyright Act, such as software programs.

The Copyright Act lists the basic exclusive rights granted to copyright owners:

- to reproduce the copyright work in copies or phonorecords;
- to prepare derivative works based upon the copyrighted work;
- to distribute copies or phonorecords of the copyrighted work to the public by sale, rental, lease, lending, or other transfer of ownership;
- to perform the copyrighted work publicly in the case of literary, musical, dramatic, and choreographic works, pantomimes, motion pictures and other audiovisual works;
- to display the copyrighted work publicly, in the case of literary, musical, dramatic, choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work; and
- to perform the copyrighted work publicly by means of a digital-audio transmission, in the case of a sound recording.³³

The copyright owner has the sole right to exercise any of the exclusive rights listed above and to exclude others from exercising those rights, but an unlicensed use of a copyright is not an infringement unless it conflicts with one of the enumerated rights.³⁴ Arguably, a copyright owner's most important right is the right to sell a license to exercise any of the rights listed above.

³⁰ *Acuff-Rose Music, Inc. v. Jostens, Inc.*, 155 F.3d 140 (2d Cir. 1998).

³¹ 17 U.S.C. § 102 (West 2014).

³² 17 U.S.C. § 103(a) (West 2014).

³³ 17 U.S.C. § 106 (West 2014).

³⁴ *Id.* § 501(a).

A work created on or after January 1, 1978, is protected for the duration of the author's life plus 70 years after the author's death.³⁵ Joint works are protected for 70 years after the last surviving author's death.³⁶ Anonymous works, pseudonymous works, and works made for hire are protected for 95 years from the year of first publication or for a term of 120 years from the year of creation, whichever expires first.³⁷

Copyrights are secured automatically upon creation by the author; the simple act of fixing a work in a tangible medium of expression is all that is needed to confer copyright ownership upon the work's author or creator.³⁸ Accordingly, formal registration with the United States Copyright Office is not required. Formal registration also is not required in order to use the © symbol. However, formal registration *is* required if the author ever needs to file a lawsuit for copyright infringement and to obtain damages.³⁹

The most important exception to the general rule of copyrights being secured upon creation by the author concerns a "work made for hire", which is either: (1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned and created by an independent contractor.⁴⁰ The employer or party commissioning a work made for hire becomes the owner of the copyright in that work, absent an agreement to the contrary.⁴¹

C. Patents

A patent is a property right granted by the USPTO to an inventor "to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States" for a limited time.⁴²

Unlike a copyright, which protects the creative expression of an original work of authorship or a trademark that protects the words, symbols or design associated with a product or service, a patent protects the invention. A patent may be granted for any new, useful and not obvious process, machine, manufacture or composition of matter or improvement thereof; new, original, and ornamental design embodied in or applied to an article of manufacture; or a new and distinct, invented or discovered asexually reproduced plant. The subject matter of what may be patentable is very broad. One case defined this breadth as "anything under the

³⁵ *Id.* § 302.

³⁶ *Id.*

³⁷ *Id.*

³⁸ 17 U.S.C. § 201 (West 2014).

³⁹ 17 U.S.C. § 143.

⁴⁰ *Id.* § 101.

⁴¹ *Id.* § 201(b).

⁴² 35 U.S.C. § 154(a)(1) (West 2014); <http://www.uspto.gov/patents/index.jsp>.

sun that is made by man.”⁴³ A patent grants the right to *exclude others* – it does not confer a right to practice on the owner.⁴⁴ In fact, there is no requirement under applicable law that a patent owner actually practice a patented invention. This is different from a trademark, where actual use is a prerequisite to obtaining and maintaining protection. The owner of a patent can license the patent, just like a trademark or copyright.

D. *Trade Secrets*

“Most simply, a trade secret is information that you do not want the competition to know about.”⁴⁵ Trade secrets – also commonly referred to as “know-how” or “tricks of the trade” – are commercially valuable information that are often integral to an enterprise’s success, just like trademarks, copyrights and patents. However, unlike those more well known types of intellectual property, a trade secret derives its true value from the fact that it is, above all else, secret.

There are two primary sources of trade secret law in the United States: common law tort and the Uniform Trade Secrets Act of 1985 (“UTSA”). To date, 47 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands have enacted some version of the UTSA. New York, New Jersey and Massachusetts have yet to adopt their own version of UTSA, although one is currently pending in Massachusetts. The latter three states continue to rely on common law tort and the basic principles of trade secret law set forth in the 1939 Restatement (First) of Torts.

There are six factors to consider when determining if information constitutes a trade secret: (1) the extent to which the information is known outside the claimant’s business; (2) the extent to which it is known by employees; (3) the extent of measures taken by the claimant to guard the secrecy of the information; (4) the value of the information to the business and its competitors; (5) the amount of effort or money expended by the business in developing the information; and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.⁴⁶

According to the definition set forth at § 1(4) of the UTSA, a trade secret “means information, including a formula, pattern, compilation, program, device, method, technique, or process, that: (i) *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 (ii) *is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.*”⁴⁷

⁴³ *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). But see discussion below regarding recent decisions limiting the patentability of software and “business methods.”

⁴⁴ *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 201 (1980).

⁴⁵ James Pooley, *Trade Secrets: the other IP right*, WIPO MAGAZINE, March 2013, at 2, available at http://www.wipo.int/wipo_magazine/en/2013/03/article_0001.html.

⁴⁶ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 cmt. b (1995).

⁴⁷ Unif. Trade Secrets Act § 1(4) (1985) (emphasis added).

Whether applying the six-factor test or the UTSA definition, the key elements raising confidential information to the level of a trade secret are its not being generally known to those who could benefit from the trade secret and the amount of effort made to prevent it from becoming generally known. Unlike trademarks, copyrights, and patents where the owner must disclose information in exchange for protection over its use by others for a term of years, owners of trade secrets must vigilantly protect against disclosure to achieve a competitive advantage. It is important to note that while a business may sacrifice guaranteed exclusivity by opting not to register its intellectual property with a government agency – once the secret is out, the commercial advantage is lost – well protected trade secrets can maintain their value and benefit their protectors for an indefinite duration.⁴⁸

In order to protect the use of “secrecy” as a legitimate business tool and to promote the relationships of trust that it requires, the common law and the UTSA punish improper acquisition or disclosure of trade secrets. The common law treats misappropriation of trade secrets as a form of unfair competition. Under the UTSA, misappropriation covers two general scenarios: (1) *a person acquires a secret through improper means* (e.g., theft, bribery, misrepresentation, breach of inducement of a breach of duty to maintain secrecy or espionage); and (2) *a person discloses or uses a secret without express or implied consent and that person either acquired the secret through improper means or that person knew or had reason to know that it had been acquired through improper means*.⁴⁹

The acquisition, disclosure or use of commercially valuable information alone is not grounds for a claim of trade secret misappropriation. There must be a breach of confidence or more broadly, a breach of “standards of commercial ethics.”⁵⁰ Under both the common law and the UTSA, an injured person can seek an injunction, future use conditioned upon payment of royalties, actual loss, and unjust enrichment. If the misappropriation was willful and malicious, the UTSA also provides for double damages.

III.

BASIC U.S. AND INTERNATIONAL REQUIREMENTS FOR PROTECTION

A. *Patents*

Protection of patents and copyrights have their roots in the U.S. Constitution. Article I, Section 8, Clause 8 of the Constitution provides that “Congress shall have the power ... [t]o promote the progress of science and the useful arts by securing for limited times for authors and inventors the exclusive rights to their respective writings and discoveries.” The tradeoff for the exclusivity granted is the requirement that the invention actually advance

⁴⁸ See Pooley, *supra* note 45.

⁴⁹ See Unif. Trade Secrets Act §§ 1(1)-(2) (1985) (emphasis added).

⁵⁰ *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974).

science and the useful arts. Therefore, for an invention to be patentable, not only must the invention be useful, new, and nonobvious, but it must also contain sufficient definition and detail as to enable a person having ordinary skill in the art to practice or produce the invention claimed.

The United States recently enacted a major overhaul of the patent law under the name of the *Leahy-Smith America Invents Act*.⁵¹ The AIA converted the nation's patent law system from protecting the "first to invent" to one that protects the "first inventor to file." Doing this brings us into harmony with most of the world's approach. The law also changed what is considered "prior art" and where and when such prior art is relevant as to a particular application, and who may submit prior art in connection with an application. The new law also made a number of other significant changes, including changes regarding post-grant proceedings. What was not changed, however, is what is deemed eligible subject matter, with the exception of inventions for reducing, avoiding, or deferring tax liability and claims "directed to or encompassing a human organism." Otherwise, patentable subject matter remains essentially "anything under the sun that is made by man."⁵² The established exceptions to patentability are "laws of nature, natural phenomena, and abstract ideas."⁵³ Further, mathematical algorithms *per se* are not patentable subject matter to the extent that they are merely abstract ideas.⁵⁴

The Supreme Court has issued four opinions in as many years addressing the question of what is patentable subject matter under Section 101 of the Patent Act. See *Alice Corporation Pty., Ltd. v. CLS Bank International*, 573 U.S. ___, 134 S. Ct. 2347 (2014); *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. ___, 133 S.Ct. 2107 (2013); *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 10, 132 S.Ct. 1289 (2012); and *Bilski v. Kappos*, 561 U.S. 593, 130 S.Ct. 3218 (2010). Notwithstanding these recent pronouncements, there is still uncertainty in the case law as to where the line is drawn between an abstract idea or laws of nature and a practical application thereof, or between a mathematical algorithm and a patentable software program.⁵⁵ This uncertainty will undoubtedly lead to a rise in patent litigation in the near term.

In *Bilski*, the Supreme Court rejected exclusively relying on the so-called "machine-or-transformation" test as the determinant of patentable subject matter and, while holding the claimed invention in the matter before it to not be patentable, did not provide much guidance for the future. In *Mayo*, the Supreme Court held that one cannot patent an invention claiming a law of nature (the relationship between certain metabolites in the blood and

⁵¹ PUB. L. NO. 112-29, 125 STAT. 284 (2011) [hereinafter "AIA"].

⁵² See *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980).

⁵³ See *Diamond v. Diehr*, 450 U.S. 175, 185 (1981).

⁵⁴ *Id.* at 186.

⁵⁵ See, e.g., *Bilski v. Kappos*, 561 U.S. 593, 130 S.Ct. 3218 (2010); *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 10, 132 S.Ct. 1289 (2012).

the likelihood that a certain drug dosage would prove ineffective or cause harm) by simply adding the words “apply it” (essentially telling a physician how to apply the natural law). The Supreme Court applied a two-step analysis to assess patentability under Section 101, determining first whether the invention was directed to a law of nature and, if so, whether there were any additional limitations that recite substantially more than the law of nature or simply apply it. In *Myriad*, the Supreme Court addressed products of nature (human DNA genetic segments) and held a claim involving certain DNA unpatentable where the genetic segments that had been isolated were naturally occurring and were not “created” or “altered” by the inventor; however, it found patent-eligible claims to certain other DNA that contained genetic segments which were not naturally occurring.

After *Bilski*, *Mayo* and *Myriad*, the patent bar held its collective breath awaiting further clarification of subject matter eligibility in a business method/software context from the Supreme Court in the *Alice* case.⁵⁶ In *Alice*, the Court held the computer-implemented claims invalid, but did so in a narrow ruling. While the Court’s holding calls into question the validity of many, if not most, software patents and so-called “business method” patents which merely recite use of a computer in a nominal manner, the Court expressly noted that software that “improve[s] the functioning of a computer itself” or that “effect[s] an improvement in any other technology or technical field” may still constitute a patentable invention under Section 101.⁵⁷

The patent at issue in *Alice* claimed use of a computer as an intermediary (or “clearing house”) to mitigate financial settlement risk. Like the method for hedging against the financial risk of price fluctuations in *Bilski*, the use of a third party intermediary – to mitigate the risk that only one party to a financial transaction will pay what it owes – “is an abstract idea” and that “merely requiring generic computer implementation fails to transform that abstract idea into a patent-eligible invention.”⁵⁸ The Supreme Court reiterated the two-step analysis from its *Mayo* decision and more clearly designated it as the paradigm for determining subject matter eligibility. First, a court must determine whether the claims are directed to an abstract idea, law of nature or natural phenomenon. To be patent-eligible, the claims must contain sufficient limitations “to ensure that the patent in practice amounts to significantly more” than the mere abstract idea, law of nature or natural phenomenon itself. This second step involves a search for an “inventive concept.”⁵⁹ The Court found that economic concepts like using clearing houses or hedging are abstract ideas, and the mere use of a computer to assist in implementing such idea is not enough of a limitation to avoid pre-empting use of the idea and granting an improper monopoly thereto.

⁵⁶ *Alice*, 573 U.S. ___, 134 S.Ct. 2347 (2014).

⁵⁷ *Alice*, 573 U.S. at ___ (slip op. at 15), 134 S.Ct. at 2351.

⁵⁸ *Alice*, *Id.* at ___ (slip. op. at 1), 134 S.Ct. at 2352.

⁵⁹ *Alice*, *Id.* at ___ (slip. op. at 7), 134 S.Ct. at 2355.

The Court cautioned that it must “tread carefully in construing this exclusionary principle lest it swallow all of patent law...as [a]t some level, “all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas...” [and that] [t]hus, an invention is not rendered ineligible for patent simply because it involves an abstract concept.”⁶⁰ Yet the Court did not provide much guidance in precisely defining what constitutes an “abstract idea,” declaring instead that “we need not labor to delimit the precise contours of the “abstract ideas” category in this case. It is enough to recognize that there is no meaningful distinction between the concept of risk hedging in *Bilski* and the concept of intermediated settlement at issue here. Both are squarely within the realm of “abstract ideas” as we have used that term.”⁶¹

As to the second step of the *Mayo* analysis, the *Alice* court noted that “if a patent’s recitation of a computer amounts to a mere instruction to ‘implemen[t]’ an abstract idea ‘on . . . a computer...’ that addition cannot impart patent eligibility.”⁶² Quoting *Mayo*, the Supreme Court elaborated that “wholly generic computer implementation is not generally the sort of ‘additional featur[e]’ that provides any ‘practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself.’”⁶³ The Court explained that “the relevant question is whether the claims here do more than simply instruct the practitioner to implement the abstract idea of intermediated settlement on a generic computer. They do not.”⁶⁴

After the *Bilski* decision was issued in 2010, the USPTO issued interim guidance for its examiners in considering claims directed to abstract ideas.⁶⁵ The 2010 Interim *Bilski* Guidance enumerated a number of non-exclusive factors to be considered both in favor of and against patentability depending upon whether or not the application contains recitation of a machine or transformation of an article. No one factor outweighs the others, whether for or against. The U.S. Patent office summarized the four patent-eligible categories of invention under Section 101⁶⁶ (utility patents) as follows:

⁶⁰ *Alice*, *Id.* at ____ (slip. op at 6), 134 S.Ct. at 2354 (internal citations omitted).

⁶¹ *Alice*, *Id.* at ____ (slip. op at 10), 134 S.Ct. at 2355.

⁶² *Alice*, *Id.* at ____ (slip op. at 13), 134 S.Ct. at 2358 (internal citations omitted).

⁶³ *Id.* (internal citations omitted).

⁶⁴ *Id.* at 14, 134 S.Ct. at 2359. The court also held that the systems claims similarly failed because the hardware recited was no more than purely functional and generic as would be typically found in all computers. *Alice*, 573 U.S. at ____ (slip op. at 16). As the court noted, “Put another way, the system claims are no different from the method claims in substance. The method claims recite the abstract idea implemented on a generic computer; the system claims recite a handful of generic computer components configured to implement the same idea.” *Id.*

⁶⁵ Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of *Bilski v. Kappos*, 75 Fed. Reg. 43922, (2010 *Interim Bilski Guidance*) (July 27, 2010) [hereinafter “2010 Interim *Bilski* Guidance”]. <http://www.uspto.gov/patent/patents-announcements/interim-guidance-determining-subject-matter-eligibility-process-claims>.

⁶⁶ In addition, some plants and designs are eligible for patent protection. See 35 U.S.C. §§ 161 and 171.

- i. Process - an act, or a series of acts or steps that are tied to a particular machine or apparatus or transform a particular article into a different state or thing.
- ii. Machine - a concrete thing, consisting of parts, or of certain devices and combination of devices. This includes every mechanical device or combination of mechanical powers and devices to perform some function and produce a certain effector result.
- iii. Manufacture - an article produced from raw or prepared materials by giving to these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery.
- iv. Composition of matter - all compositions of two or more substances and all composite articles, whether they be the results of chemical union, or of mechanical mixture, or whether they be gases, fluids, powders or solids, for example.⁶⁷

Claims that wholly embrace one of the judicially created exceptions are not directed to patentable subject matter and cannot be patented. The Interim 101 Instructions require that a second step be considered if the application is first found to address one of the four categories listed above as follows:

Does the claim wholly embrace a judicially recognized exception, which includes abstract ideas, mental processes or substantially all practical uses (pre-emption) of a law of nature or a natural phenomenon, or is it a particular practical application of a judicial exception?

In addition to the terms abstract ideas, mental processes, laws of nature and natural phenomena, judicially recognized exceptions have been described using various other terms, including physical phenomena, scientific principles, systems that depend on human intelligence alone, disembodied concepts, and disembodied mathematical algorithms and formulas, for example. The exceptions reflect the courts' view that the basic tools of scientific and technological work are not patentable.⁶⁸

⁶⁷ USPTO, Interim Examination Instructions for Evaluating Subject Matter Eligibility Under 35 U.S.C. § 101 (August 24, 2009), *available* at http://www.uspto.gov/patents/law/comments/2009-08-25_interim_101_instructions.pdf [hereinafter "Interim 101 Instructions"].

⁶⁸ *Id.* at 2. The USPTO tempers this view by noting that: "a claim that is limited to a particular practical application of a judicially recognized exception is eligible for patent protection. A 'practical application' relates to how a judicially recognized exception is applied in a real world product or a process, and not merely to the result achieved by the invention. When subject matter has been reduced to a particular practical application having a real world use, the claimed practical application is evidence that the subject matter is not abstract, not purely mental and does not encompass substantially all uses (pre-emption) of a law of nature or a natural phenomenon." *Id.* at 3.

Similarly, after the Supreme Court's decision in *Mayo*⁶⁹ involving claims directed to laws of nature applied in an individualized manner (correlation between certain blood concentration levels and dosing of medicine), the USPTO issued further guidance under Section 101 entitled, "2012 Interim Procedure for Subject Matter Eligibility Analysis of Process Claims Involving Laws of Nature."⁷⁰ This guidance requires examiners in cases where "claims in which a law of nature, a natural phenomenon, or naturally occurring relation or correlation (collectively referred to as a natural principle in the guidance) is a limiting element or step," to consider "whether the claim includes additional elements/steps or a combination of elements/steps that integrate the natural principle into the claimed invention such that the natural principle is practically applied, and are sufficient to ensure that the claim amounts to significantly more than the natural principle itself." If so, the claim is patent-eligible; if not, it will be rejected.

After *Alice*, the USPTO then issued further guidance for examination of claims as to subject matter eligibility.⁷¹ This Guidance consolidates all of the subject matter eligibility analysis into one consistent approach. Previously, the USPTO applied separate guidance for claims with abstract ideas (*Bilski*) and claims with laws of nature (*Mayo*) and distinguished between product and process claims. The new Guidance now applies the "*Mayo* test" to all these scenarios. The following is the "quick reference sheet," including a flowchart for claims analysis, from the 2014 Guidance:

⁶⁹ 566 U.S. ___, 132 S.Ct. 1289 (2012).

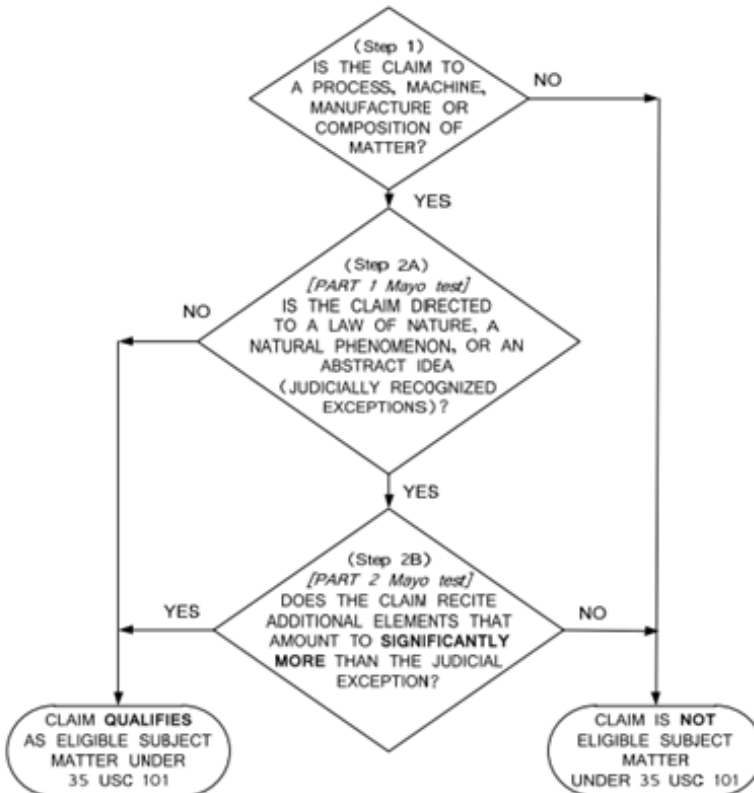
⁷⁰ Memorandum from Andrew H. Hirshfeld to Patent Examining Corps (Jul. 3, 2012), http://www.uspto.gov/patents/law/exam/2012_interim_guidance.pdf.

⁷¹ See "2014 Interim Guidelines on Subject Matter Eligibility." <http://www.uspto.gov/patent/laws-and-regulations/examination-policy/2014-interim-guidance-subject-matter-eligibility-0>.

2014 Interim Eligibility Guidance Quick Reference Sheet

SUBJECT MATTER ELIGIBILITY TEST FOR PRODUCTS AND PROCESSES

PRIOR TO EVALUATING A CLAIM FOR PATENTABILITY, ESTABLISH THE BROADEST REASONABLE INTERPRETATION OF THE CLAIM. ANALYZE THE CLAIM AS A WHOLE WHEN EVALUATING FOR PATENTABILITY.



IN ACCORDANCE WITH COMPACT PROSECUTION, ALONG WITH DETERMINING ELIGIBILITY, ALL CLAIMS ARE TO BE FULLY EXAMINED UNDER EACH OF THE OTHER PATENTABILITY REQUIREMENTS: 35 USC §§ 102, 103, 112, and 101 (UTILITY, INVENTORSHIP, DOUBLE PATENTING) AND NON-STATUTORY DOUBLE PATENTING.

Notable changes from prior guidance:

- All claims (product and process) with a judicial exception (any type) are subject to the same steps.
- Claims including a nature-based product are analyzed in Step 2A to identify whether the claim is directed to (recites) a "product of nature" exception. This analysis compares the nature-based product in the claim to its naturally occurring counterpart to identify markedly different characteristics based on structure, function, and/or properties. The analysis proceeds to Step 2B only when the claim is directed to an exception (when no markedly different characteristics are shown).

As can be gleaned from this discussion, what is eligible for patenting as a utility patent under Section 101 is still an open question, especially when dealing with the cutting edge of science and technology and especially involving process or method claims. Section 18 of the AIA created a special, transitional post-grant review procedure for patents claiming methods for performing data processing and other operations used in administration of financial products or services, signaling the special concern in this area of uncertainty. Proposals are pending in Congress to make this transitional program permanent and to expand its reach to all business methods and software patents.

The *Mayo/Bilski/Myriad/Alice* quartet has spawned a number of lower court decisions invalidating business method patents that involve nominal recitation of a machine (computer) in the implementation of the abstract idea. Judge Mayer went out of his way in his concurring opinion⁷² to emphasize the propriety of considering the Section 101 question as a threshold issue at the outset of litigation or at the pleading stage before judicial resources are consumed, expenses are incurred and the public is harmed. This case law provides a powerful tool in defending against the claims brought by so-called “patent trolls” (non-practicing, patent assertion entities that acquire patents of questionable validity and seek to unscrupulously extract royalties less than the typical cost of litigating the patent). Another effect of the recent Supreme Court decisions is that the USPTO withdrew from issuance over 800 patent applications it had allowed but not yet issued when the *Alice* decision was rendered.⁷³ Yet another effect of these developments is to call into question the valuation of companies whose assets consist largely of software patents.

Non-Utility Patents

In addition to “utility” patents under 35 U.S.C. 101, certain plants and designs are also patentable. Under Section 161, plant patents may be granted to one who “invents or discovers and asexually reproduces any distinct and new variety of plant.”⁷⁴ Under Section 171, a “new, original and ornamental design for an article of manufacture” may be patented.

International Patent Protection

Patent protection of inventions can also be obtained in most countries of the world by several methods: 1) filing directly in those countries in compliance with the country’s laws and procedures; 2) filing in a country that is a member of the Paris Convention for the Protection of Industrial Property (“Paris Convention”) and then filing in the other desired member countries within one year of the filing date of your first application (doing this gives one a

⁷² 727 F.3d at 717.

⁷³ See Tristan Gray-LeCoz and Charles Duan, *Apply It to the USPTO: Review of the Implementation of Alice v. CLS Bank in Patent Examination*, 2014 Patently-O Patent Law Journal 1.

⁷⁴ The USPTO elaborates that “Asexual reproduction is the propagation of a plant to multiply the plant without the use of genetic seeds to assure an exact genetic copy of the plant being reproduced. Any known method of asexual reproduction which renders a true genetic copy of the plant may be employed.” <http://www.uspto.gov/web/offices/pac/plant/#4>.

priority date dating to the first filed application, which can be very valuable); or 3) filing an application under the Patent Cooperation Treaty (“PCT”) which is administered by the World Intellectual Property Organization (“WIPO”) amongst over 140 Paris Convention member countries. The PCT permits filing of a single “international” patent application and facilitates applying in multiple member countries simultaneously.

This being said, there is *no such thing* as an “international patent” *per se*. While these conventions and treaties grant certain rights and facilitate certain procedural advantages, each country has the sovereign right to examine and approve or reject individual applications. If the country is a member of the World Trade Organization (which has 161 members as of April 2015),⁷⁵ however, it is bound by the Trade Related Aspects of Intellectual Property Rights (“TRIPS”) Agreement. TRIPS requires the country to comply with the Paris Convention (industrial property, including patents), the Berne Convention (on copyrights), and to essentially comply with at least minimum standards to protect and give equal treatment to foreigners seeking to protect “copyright and related rights, trademarks, geographical indications, industrial designs, patents, integrated circuit layout-designs and...undisclosed information.”⁷⁶

B. Trademarks, Domain Names and Trade Secrets

1. Trademarks

The first step in protecting one’s trademark is to select a trademark that is distinctive and hard for competitors to steal. In the legal context, a “strong” trademark is one that is not likely to be confused with other competing trademarks and is therefore more easily protectable.⁷⁷

It is also a good idea to register a trademark domestically, or if doing business overseas, in those markets where one intends to do business. In the United States, registration is done through the United States Patent Trademark Office (USPTO).⁷⁸

It is not necessary to actually register a trademark in the United States; using a trademark without registration can give a trademark holder rights in the United States. Registration, however, offers certain advantages, including a legal presumption of ownership of the mark, public notice of the claim of ownership, listing in the USPTO’s online databases, the ability to record the US registration with U.S. Customs and Border Protection Service, the right to use the federal registration symbol, and the ability to bring an action concerning the mark in federal court. It is necessary to renew the trademark periodically, and it is also necessary to display the sign of the trademark- ® - for federally registered marks.⁷⁹

⁷⁵ http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm.

⁷⁶ http://www.wto.org/english/tratop_e/trips_e/tripfq_e.htm#Who'sSigned.

⁷⁷ Ilana DeBare, *How to Protect Your Trademark From Infringement*, (Jan. 14, 2011), <http://www.inc.com/guides/201101/how-to-protect-your-trademark-from-infringement.html>.

⁷⁸ See *Protecting Your Trademark: Enhancing Your Rights Through Federal Registration*, U.S. PATENT & TRADEMARK OFFICE, <http://www.uspto.gov/trademarks/basics/BasicFacts.pdf> (last visited Mar. 12, 2015).

⁷⁹ *Id.*

An application to the USPTO for registration must specify a basis for filing. Most applicants base their application on either the current use of the mark in commerce or the intent to use the mark in commerce in the future. Under either basis, the applicant must demonstrate prior to registration that the mark has been used in commerce in connection with all the goods/services listed in the application by submitting an acceptable specimen. The difference between the two filing bases is whether actual use of the mark on all goods/services has begun.⁸⁰

An “intent to use” basis will require the applicant to submit additional forms and take additional steps, as opposed to an application under an actual “use in commerce.” If no opposition is filed to an “intent to use” application, the USPTO will issue a notice of allowance (NOA). The issuance of an NOA does not mean that the mark has been registered; within six (6) months of the issuance of an NOA, the applicant must submit a “statement of use” if the mark is now actually being used in commerce. If additional time is needed, the applicant may submit a “request for an extension of time to file a statement of use.”⁸¹

Once a trademark holder has established rights in the trademark either through registration or usage, the owner must vigorously enforce his trademark rights. The USPTO will not police infringements. Some famous trademark names – such as “escalator” or “aspirin” – have become generic because of a failure to adequately police the use of these trademarked names.⁸²

Companies holding registered or common law trademarks should use the appropriate trademark signs on products and marketing materials. Trademark holders should keep their eyes on competitors and periodically check for infringements using internet search engines. Several trademark search firms provide monitoring services.⁸³

As noted above, a trademark holder planning to do business in foreign markets should register the trademark within those foreign markets. If one or more of the markets is located within the European Union, then the trademark owner should apply for a Community Trademark (CTM). The applicant can register its trademark throughout the European Union in one application and by paying one fee.⁸⁴

Another option is international registration, a filing that can be done through the Madrid Protocol. The Madrid Protocol includes most of the major industrial nations of the world. A holder can file a trademark in his home country and later extend the filing to other jurisdictions.⁸⁵

⁸⁰ *Id.*

⁸¹ *Id.*

⁸² DeBare, *supra* note 77.

⁸³ *Id.*

⁸⁴ BUS. NEWS DAILY, *How to Protect Your Trademark Internationally* (Jul. 13, 2012), <http://www.business-newsdaily.com/2838-how-to-protect-your-trademark-internationally.html>.

⁸⁵ *Id.*

2. Domain Names

A domain name is an identification string used to identify one or more IP addresses. The most prominent top-level domains are .com, .gov, and .org. Domain names can be registered, and there are any number of domain name registration businesses. In 1999, a shared registration system was created.

For businesses with Internet addresses, cybersquatting presents a major challenge. Initially, cybersquatting was the practice of registering names, particularly well-known company or brand names, as Internet domains, in the hopes of selling them for a profit. A more recent type of cybersquatting is the practice of registering a variant of a popular site in hopes of attracting traffic from customers who mistype the original domain name. Many of these cybersquatters hope to lure a company's customers to their site.⁸⁶

The best way to protect a domain name is to have a registered trademark. Any person who establishes priority in the mark gains the ultimate right to use it.⁸⁷

Business owners should also register common variations of the domain before a cybersquatter does. Registration is fairly inexpensive, and, depending upon the size of the company, it may be worthwhile to register numerous foreseeable variations. A domain owner may want to register both the single and plural forms of the domain and/or register the domain with hyphens. If the domain name is susceptible to an acronym, it would be wise to also register that acronym.⁸⁸

In 1999, the United States Congress passed legislation pertaining to cybersquatting. The Anticybersquatting Consumer Protection Act ("ACPA")⁸⁹ was enacted to provide protection to legitimate holders of domain names. The ACPA creates a private right of action for trademark owners, and a trademark owner can sue the holder of a confusing but similar domain name in federal court.

The UDRP (Uniform Domain Name Dispute Resolution Policy) is a process established by the Internet Corporation for Assigned Names and Numbers (ICANN) for the resolution of disputes regarding the registration of internet domain names

If a trademark is protected by U.S. law, the owner can bring an ACPA action in a United States federal court, even if the domain holder is a resident of a foreign country.⁹⁰ However, the United States court must have authority over the registry or registrar holding the domain registration in order to issue an order to the registrar or registry to cancel or transfer the domain registration.

⁸⁶ Carolyn M. Brown, *How to Protect Your Domain Name From Cybersquatting*, (Feb. 28, 2011), <http://www.inc.com/guides/201102/how-to-protect-your-domain-name-from-cybersquatting.html>.

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ 15 U.S.C. § 1125(d).

⁹⁰ BERKMAN CTR. FOR INTERNET & SOC'Y, *Frequently Asked Questions (and Answers) about Domain Names and Trademarks*, <http://www.chillingeffects.org/domain/faq.cgi> (last visited Apr. 10, 2015).

3. Trade Secrets

A trade secret is a formula, practice, or compilation of information not generally known or reasonably ascertainable by which a business can obtain an economic advantage over competitors or customers.⁹¹

A trade secret is generally information that is not known to the public, confers some sort of benefit on its holder/owner and is the subject of attempts to maintain its secrecy. Section 1839 of Title 18 of the United States Code defines a trade secret as having three components: (1) information; (2) the owner has taken reasonable measures to protect the information; and (3) the information derives independent economic value from not being publicly known.

Trade secrets, being confidential, are not registered, and they thereby differ from protections offered to patent and trademark holders. Employers necessarily impart certain trade secrets to key level employees and utilize noncompete and nondisclosure agreements to prevent disclosure of this information.⁹² The protection of a trade secret can extend indefinitely.

In 1979, the Uniform Law Commission published the Uniform Trade Secrets Act (UTSA). This Act established the framework to protect trade secrets for American companies operating in multiple states. Section 1.4 of the Act defines a “trade secret” as information, including a formula, pattern, compilation, program, device, method, technique, or process that (1) 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 (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Remedies under the UTSA include damages, injunctive relief, and attorney fees. As of 2013, forty-seven states had enacted the UTSA.

The Economic Espionage Act of 1996⁹³ imposed criminal sanctions relating to the theft or misappropriation of trade secrets. One provision of this legislation criminalized misappropriation of trade secrets with the knowledge or intent that the theft would benefit a foreign power.⁹⁴ Another provision imposes criminal penalties for the misappropriation of trade secrets related to or included in a product that is produced for or placed in interstate or international commerce with the knowledge that the misappropriation would injure the owner of the trade secret.⁹⁵ The Department of Justice considers certain discretionary

⁹¹ Tom C.W. Lin, *Executive Trade Secrets*, 87 NOTRE DAME L. REV. 911, 940 (2012).

⁹² Dan Elbaum, *Human Factors in Information-Age Trade Secret Protection*, CORNELL HR REV. 2011, <http://www.cornellhrreview.org/human-factors-in-information-age-trade-secret-protection/>.

⁹³ Economic Espionage Act of 1996, 18 U.S.C. §§ 1831-1839 (West 2014).

⁹⁴ 18 U.S.C. § 1837 (West 2014).

⁹⁵ *Id.* § 1832.

factors – such as the scope of the activity, the degree of economic injury, the type of trade secret misappropriated, and the effectiveness of available civil remedies – in determining the appropriate circumstances under which to prosecute under the statute.⁹⁶

C. *Copyrights*

Corporations that own intellectual property, including copyrights, protect those valuable rights using internal policies, record keeping, diligence and enforcement.

Following the best practices of corporations owning intellectual property, a corporation will have a comprehensive Code of Conduct that addresses intellectual property including copyrights. The policy should first address the creation of the copyrighted material. The policy usually will reflect that, as a condition of employment, any intellectual property created by the employee in the furtherance of the company's business is owned by the company. The policy will require the employee to report the creation of the intellectual property so that it can be protected. Second, the policy should require employees to protect the company's intellectual property, including copyrights, keep those classified as trade secrets confidential, and report any violations. Finally, the company should have a systematic annual training requirement that requires all its employees to understand the terms of their code of conduct including their obligations to protect the company's intellectual property including copyrighted material.

Corporations owning intellectual property, including copyrights, must be diligent in protecting their intellectual property. First, an intellectual property portfolio should be created listing all the company owned intellectual property, the date of creation and any registrations. Second, while copyrights are created when created by the author, copyrights cannot be enforced unless they are registered. The company's IP portfolio manager, working with the legal department, will decide which copyrights are valuable to the company and pursue registration of those copyrights.

An essential part of protecting the company's copyrights includes enforcement. Internally, the company's information technology teams working with the legal department can set up protections from the loss of intellectual property. Corporations can employ crawlers on all company email that alert management if employees are discussing, transferring or describing intellectual property to third parties. Companies working with their information technology teams can restrict the use of thumb drives and cds by all or some of their employees to prevent the downloading of intellectual property and other sensitive information. If a company becomes aware that an ex-employee has taken or misappropriated company owned intellectual property, the company should pursue that ex-employee and any third party employer to stop and recover its IP. Finally, the company should pursue any third party who infringes any company owned intellectual property.

⁹⁶ U.S. DEP'T OF JUSTICE, U.S. Attorneys' Manual, 9-59.000 (2004), *available at* http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/59mcrm.htm (last visited Apr. 10, 2015).

IV.

BASICS OF ENFORCEMENT OF IP RIGHTS IN THE UNITED STATES AND ABROAD

A. *Litigation*

1. Patents

a. *Infringement and Defenses*

The rights of a patentee to sue for infringement are set forth in 35 U.S.C. Section 271. This section provides a cause of action against anyone who:

- (a) ...makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States ...
- (b) actively induces infringement of a patent...
- (c) offers to sell or sells or imports into U.S. a component constituting material part of invention knowing same to be specially made or specially adapted for use in an infringement, and not a staple or article of commerce suitable for substantial noninfringing use...liable as a contributory infringer.⁹⁷

Subsection (a) provides relief for direct infringement whereas subsections (b) and (c) create liability for indirect or vicarious infringement. There is no requirement to show knowledge under (a) for direct infringement to exist.

To establish direct infringement under Section 271(a), the patentee must show that the accused infringer includes in its device or process each and every one of the limitations of the patented claim in question. This is the so-called “all-elements rule.”⁹⁸ In *Warner-Jenkinson*, the U.S. Supreme Court stated the basic issue as follows: “Does the accused product or process contain elements identical or equivalent to each claimed element of the patented invention?”⁹⁹ The Court held, “[t]oday we adhere to the doctrine of equivalents. The determination of equivalence should be applied as an objective inquiry on an element-by-element basis. Prosecution history estoppel continues to be available as a defense to infringement, but if the patent holder demonstrates that an amendment required during prosecution had a purpose unrelated to patentability, a court must consider that purpose in order to decide whether an estoppel is precluded. Where the patent holder is unable to establish such a purpose, a court should presume that the purpose behind the required amendment is such that prosecution history estoppel would apply.”¹⁰⁰

⁹⁷ 35 U.S.C. § 271 (2014).

⁹⁸ See *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997).

⁹⁹ *Id.* at 40.

¹⁰⁰ *Id.* at 40-41.

Tied to the application of the Doctrine of Equivalents is the defense of Prosecution History Estoppel. Under this estoppel doctrine, claims or scope of claims surrendered by an applicant during the process of prosecuting a patent application, when done in relation to patentability such as to avoid prior art assertions, cannot later be used to support an argument of infringement under the doctrine of equivalents.¹⁰¹ This doctrine may also come into play in *Markman* hearings to help color claims construction.

The centerpiece of many patent cases is the construction of the claim terms. If the terms used in the claims limitations are interpreted in a certain way, the accused invention may be deemed to literally infringe the patented claims. On the other hand, an interpretation advanced by the accused infringer may result in the “all elements” test not being satisfied and ultimately a finding on noninfringement. In the past, these interpretations were considered factual and left to a jury to decide. However, in *Markman v. Westview Instruments, Inc.*, the Supreme Court held that claims construction is for the judge to decide.¹⁰² The judge’s construction of the claims terms will then be used to instruct the jury. This has led to the practice of holding “*Markman* hearings” at some point in a case prior to trial.¹⁰³ Moreover, “[w]hen the parties present a fundamental dispute regarding the scope of a claim term, it is the court’s duty to resolve it.”¹⁰⁴

The Federal Circuit, sitting *en banc*, has addressed the types of evidence that should be considered by a judge in conducting claims construction under *Markman*.¹⁰⁵ In *Phillips*, the court held that a court should first consider the intrinsic evidence, that is, the claims, the specification and the prosecution history, all of which are part of the “file wrapper.”¹⁰⁶ If the intrinsic evidence is insufficient to provide a clear meaning to the terms, then the courts can turn to extrinsic evidence to assist in the construction. Typically, such evidence includes dictionaries, treatises, and expert testimony. While a court has discretion to consider such extrinsic evidence, a court must be careful not to use such evidence to vary or contradict any intrinsic evidence.¹⁰⁷ The Supreme Court has recently weighed in on the standard of review of such claims construction, holding in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*¹⁰⁸ that if the trial court conducts claims construction with factual underpinnings such as where extrinsic evidence is considered, the proper appellate review is clear error and not

¹⁰¹ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 733 (2002).

¹⁰² 517 U.S. 370, 385 (1996).

¹⁰³ See, e.g., Patent Local Rules of the Northern District of California Rule 4-6.

¹⁰⁴ *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1362-63 (Fed. Cir. 2008).

¹⁰⁵ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (*en banc*).

¹⁰⁶ Rules of construction of claim terms are beyond the scope of this paper but suffice it to say that quite a few such rules exist and must be carefully considered in all claims construction efforts.

¹⁰⁷ *Id.* at 1318-19 and 1324.

¹⁰⁸ 574 U.S. ___, 135 S.Ct. 831 (2015).

de novo. In *Sandoz*, the trial court had considered expert testimony in construing the claim term “molecular weight” so the Supreme Court reversed the Federal Circuit’s review under the *de novo* standard.

It is common for *Markman* hearings to feature technology tutorials regarding the scientific or technological underpinnings of the patent and extensive use of demonstrative evidence including claims charts, video presentations, physical boards and live testimony, as well as oral argument by counsel. Practices vary from district to district and judge to judge.

Beyond direct and indirect infringement and literal infringement or infringement under the doctrine of equivalents, the other main focus of typical patent litigation is validity or invalidity of the claims. Accused infringers will typically raise defenses of noninfringement as well as of patent invalidity.

Defenses to patent infringement claims are set forth in section 282, of Title 35 of the United States Code, which states:

- (b) Defenses.— The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
 - (1) Noninfringement,¹⁰⁹ absence of liability for infringement or unenforceability.
 - (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.
 - (3) Invalidity of the patent or any claim in suit for failure to comply with—
 - (A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or
 - (B) any requirement of section 251.
 - (4) Any other fact or act made a defense by this title.

While discussion of the specific details of the defenses available under Section 282 or otherwise in patent infringement suits is beyond the scope of this article, it bears noting that typical defenses involve assertions that the claims in suit were anticipated by prior art and therefore were not novel as required by Section 102 of Title 35; or “if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to

¹⁰⁹ While Section 282 lists noninfringement as a defense and it is typical that accused infringers file declaratory actions or counterclaims seeking a declaration of noninfringement, the burden to affirmatively prove infringement always rests with the patentee. *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. ___, 134 S.Ct. 843 (2014). On the other hand, the burden of proving invalidity is always on the accused infringer who raises this defense. See 35 U.S.C. § 282(a) (“The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”).

a person having ordinary skill in the art to which the claimed invention pertains”¹¹⁰ under 35 U.S.C. § 103; or for failure to meet the application requirements of enablement or definiteness required in Section 112.

For invalidity to be established under Section 102, the party asserting this defense must establish that a *single* prior art reference describes “each and every claim limitation and enable[s] one of skill in the art to practice an embodiment of the claimed invention without undue experimentation.”¹¹¹ Moreover, to establish the defense of “anticipation” under Section 102, the prior art reference must not only disclose all elements of the claim within the four corners of the document, but it must also disclose those elements “arranged as in the claim.”¹¹² It bears noting that what constitutes prior art, and when and where such prior art is relevant to an application has been recently modified by the AIA.¹¹³

The Section 103 “Obviousness” defense has been the subject of much attention both in the courts and by the USPTO. The Supreme Court in 2007 rejected mechanical approaches to this defense and mandated the use of a “common sense” approach where multiple factors are considered in determining if an invention should be deemed to have been obvious to a person having ordinary skill in the art (“PHOSITA”) in light of the totality of the circumstances.¹¹⁴ As a result, the USPTO has issued guidance to be followed in considering Section 103 obviousness in light of KSR.¹¹⁵ The Guidance addresses issues such as “Combining Prior Art Elements,” “Substituting One Known Element for Another,” “The Obvious To Try Rationale,” “Consideration of Evidence,” and the “Non-Obviousness Defense of Long-felt Need.”

The Section 101 patentable subject matter defense has been and will likely remain the subject of substantial litigation especially in connection with so-called business method patents and software patents, at least until there is clear guidance from the U.S. Supreme Court or Congress as to where and how to draw the patentability line.¹¹⁶

b. Injunctions

While injunctions (preliminary and permanent) are expressly permitted¹¹⁷ and have historically been common in patent infringement cases, they have become much more dif-

¹¹⁰ The person having ordinary skill in the art is patent law’s counterpart to the “reasonably prudent person” of general negligence law.

¹¹¹ See *Am. Calcar, Inc. v. Am. Honda Motor Corp.*, 651 F.3d 1318, 1341 (Fed. Cir. 2011).

¹¹² *Net MoneyIn, Inc. v. Verisign, Inc.*, 545 F.3d 1359 (Fed. Cir. 2008).

¹¹³ See Yarbrough, Robert J., “Changes to 35 U.S.C.102 Under the America Invents Act,” (Nov. 2011). http://www.yarbroughlaw.com/Publications/pubs_patent_13_changes_to_35USC102.htm.

¹¹⁴ *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398, 420 (2007).

¹¹⁵ *Examination Guidelines Update: Development in the Obviousness Inquiry after KSR v. Teleflex*, 75 Fed. Reg. 53643 (Sept. 1, 2010). <http://edocket.access.gpo.gov/2010/pdf/2010-21646.pdf>.

¹¹⁶ See prior discussion above.

¹¹⁷ 35 U.S.C. § 283 (West 2014).

ficult to obtain after *eBay, Inc. et al. v. MercExchange, LLC*.¹¹⁸ In *eBay*, the Supreme Court followed its copyright cases in rejecting an invitation “to replace traditional equitable considerations with a rule that an injunction automatically follows” a determination that a patent has been infringed.¹¹⁹ The Court held that a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate the following: (1) it has suffered an irreparable injury; (2) remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) the public interest would not be disserved by a permanent injunction.¹²⁰ At the same time, the Supreme Court made clear that merely because the plaintiff was a non-practicing entity who was willing to license its patent to multiple parties does not disqualify such plaintiff from establishing that it is likely to suffer irreparable harm absent injunctive relief.¹²¹

After *eBay*, the Federal Circuit made clear that no presumption of irreparable harm arises even after a finding of infringement. In *Robert Bosch LLC v. Pylon Mfg. Corp.*, the Federal Circuit declared: “We take this opportunity to put the question to rest and confirm that *eBay* jettisoned the presumption of irreparable harm as it applies to determining the appropriateness of injunctive relief.”¹²²

In preliminary injunction cases, there is a split in the Federal Circuit as to when likelihood of success on the merits is established: some hold that an applicant fails to establish a likelihood of success on the merits if the accused party raises a defense that does not lack substantial merit. That view has been pointedly criticized in *Kimberly-Clark Worldwide, Inc. v. First Quality Baby Products, LLC* wherein the dissenters (Judges Newman, O’Malley, and Reyna) wrote that “in today’s complex patent law it is hard to imagine a case in which a defense that is ‘not substantially meritless’ cannot be devised at the preliminary stage.”¹²³

c. Damages

The Patent Act provides for recovery of “damages adequate to compensate for the infringement, but in no event less than a reasonable royalty.”¹²⁴ Patentees can sue either for lost profits or for a reasonable royalty. A plaintiff who does not practice the invention and competes in the marketplace but instead licenses the patent will sue for reasonable royalty. The competitor, however, will likely seek lost profits. In any case, if the practicing entity/competitor cannot prove the necessary elements to support a claim of lost profits, a plaintiff should nevertheless recover reasonable royalty damages.

¹¹⁸ 547 U.S. 388 (2006).

¹¹⁹ *Id.* at 393.

¹²⁰ *Id.* at 391.

¹²¹ *Id.* at 393.

¹²² 659 F.3d 1142, 1145 (Fed. Cir. 2011).

¹²³ 431 Fed.Appx. 884, 2011 WL 2161072 (Fed. Cir. 2011).

¹²⁴ 35 U.S.C. § 284 (West 2014).

In order to recover lost profits, a patentee must prove (1) demand for the patented product, (2) the absence of non-infringing substitutes, (3) the ability to meet additional demand in the absence of infringement, and (4) the proportion of those sales representing profits.¹²⁵

In order to recover a reasonable royalty, a patentee must prove what a hypothetical negotiation would yield as a likely royalty, taking into account that the licensee would also expect to make a profit.¹²⁶ Expert testimony and *Daubert*/Rule 702 F.R.E. concerns have a substantial impact as there must be a basis in fact to associate the royalty rates used in prior licenses to the particular hypothetical negotiation at issue in the case. Importantly, the courts have recently rejected the unspoken rule of thumb that a 25% royalty would be a baseline or starting point.¹²⁷ In *Uniloc*, the Federal Circuit held:

This court now holds as a matter of Federal Circuit law that the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation. Evidence relying on the 25 percent rule of thumb is thus inadmissible under *Daubert* and the Federal Rules of Evidence, because it fails to tie a reasonable royalty base to the facts of the case at issue.¹²⁸

The court also rejected testimony in *Uniloc* relying on the entire market value rule which “allows a patentee to assess damages based on the entire market value of the accused product ... where the patented feature creates the ‘basis for customer demand’ or ‘substantially create[s] the value of the component parts.’”¹²⁹ The court held that, in the case before it, there was no evidence that the patented component created the basis for customer demand.¹³⁰ “For the entire market value rule to apply, the patentee must prove that the patent-related feature is the basis for customer demand.”¹³¹

In contrast to other areas of intellectual property law, disgorgement of profits is not available to patentees, except for in connection with infringement of design patents.¹³²

2. Trademarks

If a trademark holder is a victim of trademark infringement, the holder must act quickly. Each day that passes may expose the mark owner to a loss of revenue and tarnish his brand

¹²⁵ *Panduit Corp. v. Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156-1157 (6th Cir. 1978).

¹²⁶ *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970).

¹²⁷ *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011).

¹²⁸ *Id.* at 1315.

¹²⁹ *Id.* at 1318.

¹³⁰ *Id.* at 1320.

¹³¹ *Id.* For a detailed discussion on distinguishing lost profits and reasonable royalty damages, see Mark A. Lemley, *Distinguishing Lost Profits from Reasonable Royalties*, 51 WM. & MARY L. REV. 655 (2009).

¹³² See 35 U.S.C. § 289 (West 2014).

or goodwill. A trademark owner may first choose to send a “cease and desist” letter to the infringer. This not only puts the infringer on notice, but the letter may be persuasive enough to stop the unauthorized use *in fear of litigation*. If those efforts are unsuccessful, there are a number of civil remedies that can be pursued by the trademark holder, including remedies set forth by the Lanham Act. These remedies include a temporary restraining order, injunctive relief, a declaratory action, and general damages.

a. Injunctive Relief

Under the Lanham Act, a party may seek injunctive relief – the most common relief available – for the unauthorized use of a trademark. The complaint should set forth the harm caused to the trademark holder and/or consumer. Additionally, the party should set forth the requested relief. Although a party may seek an absolute bar from the court regarding the use of the trademark, a party may also narrowly tailor the requested relief.¹³³ When seeking relief, it is important not to overreach, as a party may run the risk of having his request denied.

There are multiple ways in which the relief sought can be narrowly defined. For instance, a party may request an injunction in the field of use of the trademarked product.¹³⁴ By way of example, Chevrolet could seek an injunction that prevents the use of the Chevrolet trademark in the automotive industry only. Similarly, a mark owner could seek an injunction that precludes the use of a trademark within a certain geographic area.¹³⁵ The request would limit the relief to the locales where the trademark is used or where there is a likelihood of future use.

If a court is not willing to bar use of a trademark, another alternative is to seek the use of a disclaimer.¹³⁶ This would require the infringer to issue a disclaimer to its customers stating that it is not associated with the trademark holder.

While a request for injunctive relief is pending, a party may also attempt to obtain preliminary injunctive relief to preclude the use of an allegedly infringing mark before a final determination of the merits of the case. Generally, a party will need to show the following in order to obtain a preliminary injunction:

1. The likelihood of success on the merits of the case;
2. The likelihood that the trademark owner will suffer irreparable harm in the absence of preliminary relief;

¹³³ Michael F. Clayton, MORGAN LEWIS, *Strategic Use of Remedies in Trademark and Copyright Litigation*, available at <http://www.morganlewis.com/pubs/strategic-use-of-remedies-in-trademark-and-copyright-litigation> (last visited Apr. 10, 2015).

¹³⁴ *Id.*

¹³⁵ *Id.*

¹³⁶ *Id.*

3. The potential harm to the trademark owner outweighs the harm to the infringer; and
4. That the injunction is in the public interest.¹³⁷

Although a preliminary injunction is only temporary, a judge’s response to such a request is a good indicator of the court’s ultimate position.

b. Damages

A trademark owner may also seek monetary relief under the Lanham Act for injuries that arise from infringement of a registered trademark. However, a plaintiff is not automatically entitled to monetary damages, as courts are more inclined to award injunctive relief as opposed to monetary relief.

A party that has been a victim of trademark infringement may seek the actual damages sustained. In order to recover actual damages, one must demonstrate actual harm, such as consumer confusion. However, a judicial finding of actual deception on the part of the infringer creates a rebuttable presumption of actual damages.¹³⁸ Once a mark owner has proved that he has suffered actual damages, courts will generally consider the mark owner’s loss of profits or good will in determining the amount to be awarded.

In lieu of actual damages sustained, a party may seek the profits earned by the defendant. To obtain an award for profits, one must demonstrate that the defendant willfully infringed on the trademark or acted in bad faith.¹³⁹ Additionally, the mark owner must demonstrate that statutory notice of the trademark was given.¹⁴⁰ This is typically done by displaying “®” next to the trademark.

In trademark counterfeiting cases, a party may also seek statutory damages as an alternative to actual damages or profits. The court must award not less than \$1,000 but not more than \$200,000 for each counterfeit mark. However, if the infringer’s use of the counterfeit mark is willful, the court may award up to \$2 million per mark.¹⁴¹

Although a party may not recover punitive damages under the Lanham Act, a party may recover treble damages – up to three times the amount of actual damages or profits awarded – in cases where the infringement was knowing and willful.¹⁴² A party may also pursue punitive damages under state law.¹⁴³

¹³⁷ *CJ Products LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127, 141 (E.D.N.Y. 2011) (citing *Salinger v. Colting*, 607 F.3d 68, 80 (2d Cir. 2010)).

¹³⁸ *Strategic Use of Remedies in Trademark and Copyright Litigation*, *supra* note 133.

¹³⁹ *Id.*

¹⁴⁰ *Id.*

¹⁴¹ Lanham Act § 35(a), 15 U.S.C. § 1117 (2014).

¹⁴² *Id.*

¹⁴³ *Strategic Use of Remedies in Trademark and Copyright Litigation*, *supra* note 133.

The Lanham Act also authorizes the award of costs to a prevailing party.¹⁴⁴ Likewise, attorney's fees may be awarded in those cases where the infringement was intentional or malicious.¹⁴⁵

c. Declaratory Relief

Trademark disputes may also be resolved under the Declaratory Judgment Act. Typically, a would-be defendant will file a declaratory judgment action. The plaintiff will have to show that there is an actual controversy, which requires a showing that under "all the circumstances" there is a substantial controversy between the parties.¹⁴⁶ This often can be demonstrated with a "cease and desist" letter coupled with other communications between the mark holder and would-be infringer.¹⁴⁷

Courts will carefully scrutinize the communications of the parties and the actions taken by the trademark owner. If the trademark owner threatens future litigation, that may be sufficient to demonstrate an actual controversy.¹⁴⁸ Other factors that courts will consider include whether the trademark owner expressly claims infringement, or whether the owner provides the infringer with a deadline or ultimatum.¹⁴⁹

3. Domain Names

Generally, a domain name dispute arises when an owner of a trademark or service mark discovers that a domain name registrant has registered a domain name that is identical to the registered mark or confusingly similar. As discussed below, the owner of the trademark will typically seek relief under the Internet Corporation for Assigned Names and Numbers' (ICANN) Uniform Dispute Resolution Process (UDRP).¹⁵⁰ However, a number of civil remedies are available to resolve domain name disputes.

a. Domain Name Dispute Resolution Proceedings

When obtaining a domain name, or what is commonly referred to as a website address, a party must first register the domain name. The registration process typically involves completing an application, paying a fee, and agreeing to a domain name registration agreement.

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ Bobby Ghajar & Carolyn S. Toto, PILLSBURY, *How Trade Mark Defendants Are Winning from MedImmune*, available at <http://www.pillsburylaw.com/siteFiles/Publications/HowTradeMarkDefendantsareWinningFromMedimmune1013.pdf> (last visited Apr. 10, 2015).

¹⁴⁷ *Id.*

¹⁴⁸ *Id.*

¹⁴⁹ *Id.*

¹⁵⁰ See *Frequently Asked Questions: Internet Domain Names*, WORLD INTELLECTUAL PROP. ORG., <http://www.wipo.int/amc/en/center/faq/domains.html#16> (last visited Apr 10, 2015).

The agreement, like most internet agreements, consists of often unread voluminous terms and conditions and is entered into with the mere click of a button. In addition to terms and conditions regarding control and use, the registration agreement will also require the use of the UDRP to address disputes that arise between domain name registrants and trademark owners.

The UDRP does allow a trademark owner to submit a dispute to the UDRP to quickly resolve any domain name dispute. The dispute is submitted to an approved panel operating under the rules of procedure established by ICANN and under “any rules and principles of law that [the panel] deems applicable.”¹⁵¹

The owner of the trademark must demonstrate to the panel that the following:

1. The owner has a trademark right that is identical or confusingly similar to the subject domain name;
2. The domain name owner has no right or legitimate interest in the domain name; and
3. The domain name was registered in bad faith.¹⁵²

If the owner of the trademark can satisfy these requirements, the panel may transfer the domain to the trademark owner or cancel the domain name. It is important to note that only a trademark owner can make a dispute with an approved panel.¹⁵³ A domain name holder may not seek recourse through the UDRP.

Generally, the UDRP is preferred by trademark owners because it is a quick and cost effective means to resolve a domain name dispute. Typically, a ruling is made within a matter of weeks and the costs associated with filing a complaint are much less than other civil remedies. However, the UDRP does allow a party to seek judicial intervention, either before, during or after the UDRP’s dispute-resolution process is invoked.

b. Declaratory Judgment

If the panel rules in favor of the trademark owner, the domain holder is not left without recourse. A domain holder may seek declaratory relief under the Anticybersquatting Consumer Protection Act (ACPA).

To succeed, the registrant must demonstrate the following:

1. It is the domain name registrant;
2. Its registered domain was suspended, disabled, or transferred under ICANN’s UDRP proceedings;

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ *Id.*

3. The owner of the mark that prompted the domain to be suspended, disabled or transferred is on notice of the action; and
4. The registrant's use or registration of the domain is not unlawful pursuant to the Lanham Act.¹⁵⁴

If these elements can be shown, the court may grant relief in favor of the domain registrant, including, but not limited to, reactivation of the domain name and or transfer of the domain name to the registrant.

c. Injunctive Relief

As discussed above, a trademark owner may seek relief through the UDRP in the event that a dispute arises with a domain name holder. The trademark holder may also seek injunctive relief against a domain name registrant under the ACPA, which is part of the Lanham Act. Similar to the UDRP proceedings discussed above, the owner of a trademark must demonstrate the following:

1. The registrant's domain is identical or confusingly similar to the owner's distinctive mark; and
2. The domain name registrant used, registered, or trafficked the domain name with the bad faith intent to profit from the sale of the domain name.¹⁵⁵

Courts will typically resort to trademark law to determine whether the domain name is identical or confusingly similar to the registered trademark. If found to be identical or confusingly similar, the court may grant an injunction requiring the domain name registrant to forfeit the domain name, reassign the domain to the trademark owner or cancel the domain.

d. Damages

If the owner of a trademark can demonstrate that the domain registrant acted in bad faith, the owner may also be able to recover monetary damages under the Lanham Act. Courts will typically consider the following factors to determine whether the domain name was registered in bad faith:

1. Whether the domain name registrant has trademark rights or other intellectual property rights in the disputed domain;
2. The extent that the domain is the registrant's legal name or a name by which the registrant is commonly known;

¹⁵⁴ 15 U.S.C. § 1114(2)(D)(v) (West 2014).

¹⁵⁵ *Id.* § 1125(d).

3. Whether the registrant has prior use of the domain to identify bona fide goods or services,
4. Whether the registrant has bona fide non-commercial or fair use of the domain;
5. Whether it is the registrant's intent to misappropriate the trademark owner's goodwill, or tarnish or disparage the trademark;
6. Whether the registrant offers the domain for sale to the trademark owner, with the intent to profit from the sale, without intending to use the domain for a bona fide purpose, or there is an indication of a pattern of such conduct;
7. Whether the domain name registrant used false contact information when registering the domain name;
8. Whether the registrant has acquired multiple domain names that the registrant knows are similar to famous or distinctive marks; and
9. Whether the mark at issue is distinctive or famous.¹⁵⁶

Assuming a trademark owner can show bad faith, he would be entitled to traditional trademark infringement damages as set forth above. Alternatively, a trademark owner may also seek statutory damages ranging from \$1000 to \$100,000 per domain name.¹⁵⁷ If a plaintiff requests statutory damages, he does not need to show actual damages under the Lanham Act.

4. Trade Secrets

The owner of a trade secret may also seek relief for the misappropriation of a trade secret under the Uniform Trade Secret Act. It is important to act quickly because once a trade secret becomes public knowledge it ceases to be a trade secret. To ensure that the trade secret remains protected throughout the course of litigation, one should file a motion to seal the record. The civil remedies afforded to the holder of a trade secret are discussed in detail below.

a. Injunctive Relief

The Uniform Trade Secret Act and most state laws provide that an owner of a trade secret may seek injunctive relief for the misappropriation of a trade secret. If successful, the injunction will prevent the disclosure of the trade secret that was illegally obtained. In a petition, the plaintiff must provide a detailed description of the trade secret to put the defendant on notice of the nature of the complaint lodged against it.¹⁵⁸ If granted, the injunction will

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*, § 1117(d).

¹⁵⁸ *When All You Have Left, Enforcing Trade Secret Laws*, DEMARK, KOLBE & BRODEK, http://dkblaw.com/trade_secret_laws (last visited Apr. 10, 2015).

last as long as the trade secret continues to exist.¹⁵⁹ As an alternative to injunctive relief, a party may also seek royalties for the continued future use of the trade secret.¹⁶⁰

The owner of a trade secret may seek a preliminary injunction at the outset to preclude the disclosure of the trade secret while litigation is pending. Again, the owner of the trade secret will have to demonstrate the following elements:

1. A substantial likelihood of success on the merits;
2. Irreparable harm or injury;
3. The threatened injury to the plaintiff outweighs the threatened injury to the defendant; and
4. The preliminary injunction will not be a disservice to the public interest.

The biggest hurdle will be demonstrating that the plaintiff will suffer irreparable harm if the preliminary injunction is not granted. Moreover, courts may require the requesting party to post a bond should it ultimately be determined that the preliminary injunction was improperly requested. If granted, the preliminary injunction would preclude the defendant from sharing the trade secret during the pendency of the litigation.

b. Damages

In addition to injunctive relief, a party may also seek monetary damages arising from the misappropriation under the Uniform Trade Secret Act, including damages for the actual loss sustained by the trade secret holder.¹⁶¹ These damages include, but are not limited to, lost profits, costs undertaken to protect the trade secret, and development costs. Alternatively, the court may opt to award damages for unjust enrichment or the profits earned by the defendant as a result of the misappropriation.¹⁶² In some cases, a plaintiff may recover damages for both actual loss *and* unjust enrichment.¹⁶³

If it can be shown that the defendant's actions were willful or malicious, the plaintiff may also be entitled to receive punitive damages.¹⁶⁴ Punitive damages, however, may not exceed more than two times the actual damages awarded.¹⁶⁵ Likewise, a court may award attorney's fee under the Uniform Trade Secret Act, if the misappropriation was made in bad faith or was willful.

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Id.*

¹⁶⁴ *When All You Have Left, Enforcing Trade Secret Laws*, DEMARK, KOLBE & BRODEK, http://dkblaw.com/trade_secret_laws (last visited Apr. 10, 2015).

¹⁶⁵ *Id.*

c. Declaratory Relief

A party accused of a misappropriating a trade secret may seek declaratory relief under the Declaratory Judgment Act. This allows the would-be defendant to select the forum of his choice. As noted above, the party seeking declaratory relief will be required to demonstrate that there is an actual controversy. This can often be demonstrated where litigation has been threatened by the holder of the trade secret.

5. Copyrights

Whether a lawsuit is brought to prevent an ex-employee from using a company's copyright material or trade secrets or a suit is brought against someone who is infringing on copyright materials, the aggrieved party must first decide what court has jurisdiction and in what venue to bring the action. For ex-employees, that decision can be based upon a written agreement with the employee that establishes venue. Absent such an agreement, one must bring the case against that ex-employee in the court which has jurisdiction over that employee. For an infringement action against a third party, a plaintiff should consider bringing a case in federal court in the district court where jurisdiction can be established over the third party. A federal court will have federal question jurisdiction under section 1331 of Title 28 of the United States Code because the case will involve interpretation of the copyright laws of the United States.

If a client is faced with a potential copyright infringement action and it is believed that the client has not violated the copyright, an attorney may consider bringing a declaratory judgment in a venue of your choice that has jurisdiction over the copyright owner.

a. Injunction

An injunction against a copyright infringer is available under 17 U.S.C. § 502. Also, if a company has an ex-employee who has stolen the company's copyright or trade secret information, an injunction proceeding is often used, and if successful, an injunction will end the dispute.

b. Damages

The registration of a copyright is a prerequisite to recover statutory damages or attorneys' fees.¹⁶⁶ A registered copyright owner is entitled to recover either: 1) their actual damages and additional profits of the infringer gained by violation; or 2) statutory damages.¹⁶⁷ The registered copyright owner may elect to recover statutory damages with respect to any one work, a sum of not less than \$750 or more than \$30,000, whichever the court considers just. All parts of a compilation or derivative work are considered one work.

¹⁶⁶ 17 U.S.C. § 412 (2014).

¹⁶⁷ *Id.* § 504.

If the copyright owner can prove that the infringer acted willfully, the court can award statutory damages for one work up to \$150,000. Conversely, if the infringer can establish that it was not aware or had no reason to conclude its acts constituted an infringement, the court can reduce the award to amount not less than \$200 for one work. There are other very specific provisions for fair use for submitted false information that can be found in sections 504(c) and (d).

Finally, there is a provision that the award of attorneys' fees can be made to the prevailing party.¹⁶⁸

B. *Other Proceedings/Remedies*

1. Patent re-examinations and Post-Grant Procedures

In addition to litigation remedies, parties can take advantage of a series of post-grant administrative proceedings that are available to patentees, accused infringers, and in some cases, any interested parties. These proceedings include *ex parte* re-examinations of a patent, *inter partes* review,¹⁶⁹ transitional post-grant review for covered business method patents, and supplemental examinations.

A Post-Grant review ("PGR") allows a third party to petition to review an issued patent within nine months of the date of the patent issuance and show that it is more likely than not that at least one of the claims challenged in the petition is unpatentable.¹⁷⁰ All the typical defenses to infringement litigation available under Section 282(b)(2) (failure to comply with required statutory provisions for patentability) or (3) (failure to comply with the requirements of section 112, other than best mode) are available in a post-grant review. Alternatively, a petitioner can make a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

Inter Partes Review ("IPR") is available after the later of nine months after the patent's issue or re-issue date or the date of termination of any post-grant review. Only claims of invalidity due to anticipation (Section 102) or obviousness (Section 103) can be raised and only on the basis of prior art consisting of patents or printed publications. This review is not available more than one year after service of a patent infringement suit on the petitioner or if the petitioner filed a civil action challenging a claim of the patent before filing the petition. The dispute is resolved by an administrative trial before a panel of the Patent Trial and Appeal Board ("PTAB"). An IPR may only be instituted if the PTAB determines that there is a reasonable likelihood that the petitioner would prevail as to at least one of the challenged claims. The Director's decision as to whether or not to institute an IPR is final and non-appealable.¹⁷¹ A non-owner of the patent may file the petition to institute an IPR.

¹⁶⁸ See 17 U.S.C. § 505 (2014).

¹⁶⁹ *Inter partes* re-examination was eliminated effective September 16, 2012.

¹⁷⁰ 35 U.S.C. § 324(a).

¹⁷¹ 35 U.S.C. § 314.

IPR proceedings have significantly increased in use since adoption of the AIA. In fact, 3,145 had been filed as of June, 2015.¹⁷² The first court cases involving IPRs are just beginning to be decided now.¹⁷³

Transitional Post-Grant Review for Covered Business Method Patents (“CBM”) is available for method patents claiming a method or apparatus for performing data processing or other operations in the financial product or service industry. It is available only to petitioners who have been sued for infringement under the patent. Stay of the related litigation is available under some circumstances and denial is immediately appealable.

Supplemental examination is available to any patentee on any patent and is used to consider any information that may be relevant (not just prior art patents and printed publications as with prior re-examination procedures). If the USPTO determines that a substantial new question of patentability exists, it will initiate an *ex parte* re-examination. This supplemental examination creates a “safe harbor” for inequitable conduct allegations because a patent generally cannot later be held unenforceable on information that was considered, reconsidered or corrected during a supplemental examination. As mostly new procedures, they require careful review and consideration in each case including factors such as availability and extent of discovery, timing issues, and estoppel effects.

2. Criminal Proceedings

In addition to civil remedies, there are number of criminal proceedings that an individual or entity can face for violating intellectual property rights. A person or entity can face fines and/or jail time if found guilty. Given the advances in technology, Congress has continued to broaden criminal laws for violating intellectual property rights. For example, the Trademark Counterfeiting Act imposes criminal liability for anyone that intentionally “traffics in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services,” or intentionally “traffics in labels, . . . documentation, or packaging . . . knowing that a counterfeit mark has been applied thereto.”¹⁷⁴ If found guilty, a person could face up to \$2 million in fines, or sentenced to ten years in jail.¹⁷⁵

A person found guilty of copyright infringement for the purposes of commercial advantage or profit may also face criminal penalties. Specifically, any individual who reproduces and/or distributes at least 10 copies of copyrighted material with a total retail value

¹⁷² http://www.uspto.gov/sites/default/files/documents/aia_statistics_06-25-2015.pdf In contrast only 360 CBMs and 10 PGRs had been filed as of June 25, 2015.

¹⁷³ *See* In re *Cuozzo Speed Technologies, Inc.*, 2015 WL 4097949 (Fed Cir. 2015) (“[W]e hold that we lack jurisdiction to review the PTO’s decision to institute IPR. We affirm the Board’s final determination, finding no error in the Board’s claim construction under the broadest reasonable interpretation standard, the Board’s obviousness determination, and the Board’s denial of *Cuozzo*’s motion to amend.”).

¹⁷⁴ 18 U.S.C. § 2320.

¹⁷⁵ *Id.*

of more than \$2,500 during any 180-day period, may be sentenced to no more than 5 years imprisonment and/or a fine up to \$250,000 (for corporate offenders or an organization, up to a \$500,000 fine is permitted).¹⁷⁶

The misappropriation of trade secrets can also result in criminal punishment under the Economic Espionage Act. Two controlling provisions impose criminal penalties. First the Economic Espionage Act prohibits the theft of trade secrets for the benefit of a foreign government, instrumentality, or agent. If found guilty, one could face up to 15 years imprisonment and fined up to \$5,000,000. Likewise, the act prohibits the commercial theft of trade secrets to benefit individuals or entities other than the owner. Any violation of this provision is punishable by up to ten years' imprisonment and a \$250,000 fine.

3. International Remedies

a. ITC Exclusion Orders

The U.S. International Trade Commission (“Commission” or “ITC”) is empowered under Section 337 of the Tariff Act of 1930 to issue powerful remedies, although not money damages, to prevent unfair practices in the importation of goods into the United States, including infringement of intellectual property rights.¹⁷⁷ These Orders are known as “Exclusion Orders” and are similar to injunctive relief but not subject to the stricter *eBay* test. The orders can be specific or general and can apply to downstream products. Moreover, if an infringer has already accumulated significant inventory already in U.S. and is subject to personal jurisdiction here, a cease and desist order may be obtained.

There are nine factors to be considered in awarding relief under Section 337. These nine factors, known as the “EPROMs factors,” are:

- (1) The value of the infringing articles compared to the value of the downstream products into which they are incorporated;
- (2) The identity of the manufacturer of the downstream products;
- (3) The incremental value to the complainant of the exclusion;
- (4) The incremental detriment to respondents of exclusion;
- (5) The burden on third parties resulting from exclusion;
- (6) The availability of alternative downstream products not containing the infringing articles;
- (7) The likelihood that the downstream products actually contain the infringing articles;

¹⁷⁶ *Id.*, § 2319.

¹⁷⁷ 19 U.S.C. § 1337 (2014).

- (8) The opportunity for evasion of an exclusion order not including downstream products; and
- (9) The enforceability of an order by Customs.¹⁷⁸

Defenses, such as patent invalidity, are available.¹⁷⁹

The 337 Exclusion Orders are ultimately subject to public interest veto by the President of the United States. 19 U.S.C. § 1337(j) A veto was recently issued by President Obama in *Certain Electronic Devices, Including Wireless Communication Devices, Portable Music And Data Processing Devices, And Tablet Computers, Investigation No. 337-TA-794* (“the -794 investigation”) which involved a finding that Apple had violated one of Samsung’s patents.

b. Trade Agreements and Sanctions

There are a number of international conventions and treaties that affect intellectual property law worldwide. These include:

The Paris Convention for the Protection of Industrial Property – affects Patents and Trademarks

Patent Cooperation Treaty – affects Patents

Madrid Protocol – affects Trademarks

Berne Convention for the Protection of Literary and Artistic Works– affects Copyrights

Hague Agreement Concerning the International Registration of Industrial Designs – affects International Designs

Lisbon Agreement for the Protection of Appellations of Origin and their International Registration– affects International Appellation of Origins/Geographic Indications

International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (Rome Convention) - affects performances, phonograms and broadcasts

¹⁷⁸ *Certain Erasable Programmable Read-Only Memories (“EPROMs”). Certain Erasable Programmable Read-Only Memories, Components Thereof, Products Containing Such Memories, and Processes for Making Such Memories*, Inv. No. 337-TA-276, USITC Pub. 2196, (Mar. 16 1989), *aff’d sub nom.*, Hyundai Electronics Indus. Co., Ltd. v. U.S. Int’l Trade Comm’n, 899 F.2d 1204, 1209 (Fed. Cir. 1990).

¹⁷⁹ *VastFame Camera, Ltd v. U.S. Int’l Trade Comm’n*, 386 F.3d 1108 (Fed. Cir. 2004).

The 161 countries that are members of the World Trade Organization are also subject to the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. This agreement sets minimum standards of recognition of intellectual property rights by member countries and require national treatment be given to foreign IPR owners.

The United States has also entered into a number of bilateral (e.g., U.S. Colombia Free Trade Agreement, U.S.- South Korea Free Trade Agreement, etc.) or multi-lateral (N.A.F.T.A.) trade agreements containing specific provisions relating to intellectual property rights. Those agreements typically provide for arbitration of disputes if member countries fail to comply. Additionally, the U.S. Trade Representative is required annually to assess intellectual property rights protection and enforcement in trading partners around world pursuant to Section 182 of the Trade Act of 1974, as amended by the Omnibus Trade and Competitiveness Act of 1988 and the Uruguay Round Agreements Act. Under Section 306, the USTR monitors a trading partner's compliance with measures that are the basis for resolving an investigation under Section 301. The USTR may apply sanctions if a country fails to satisfactorily implement such measures. These sanctions can include suspension of a most favored nation treatment or other trade and tariff benefits.

The 2015 Special 301 review process¹⁸⁰ examined Intellectual Property Rights protection and enforcement in 72 trading partners. Following extensive research and analysis, USTR has listed 37 trading partners as follows:

Priority Foreign Country: None

Priority Watch List: Algeria, Argentina, Chile, China, Ecuador, India, Indonesia, Kuwait, Pakistan, Russia, Thailand, Ukraine, and Venezuela.

Watch List: Barbados, Belarus, Bolivia, Brazil, Bulgaria, Canada, Colombia, Costa Rica, Dominican Republic, Egypt, Greece, Guatemala, Jamaica, Lebanon, Mexico, Paraguay, Peru, Romania, Tajikistan, Trinidad and Tobago, Turkey, Turkmenistan, Uzbekistan, and Vietnam.

U.S. companies may petition to initiate Section 301 proceedings. If a negotiated settlement is not reached, the USTR has authority to take retaliatory action against the offending country, subject to presidential direction.

¹⁸⁰ <https://ustr.gov/sites/default/files/2015-Special-301-Report-FINAL.pdf>.