

# VIRTUAL ROUND TABLE

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## INTELLECTUAL PROPERTY 2014 - THE AMERICAS



## MEET THE EXPERTS



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Prior to joining Alston & Bird, Aoife worked in both the legal (patent litigation matters covering pharmaceuticals, chemicals, electronic and mechanical devices) and industrial (investigated delivery methods for cancer treatments and developed quantitative analytical methods) sectors.

Aoife received her law degree from the University of London and her honors master's and bachelor's degrees (chemistry major with and minors in mathematics and biology) from the University of Dublin, Trinity College.

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**A** founding partner of Baker Marquart LLP, Ryan litigates intellectual property issues across the country. He has appeared as lead counsel in numerous state and federal courts, representing both plaintiffs and defendants in a wide variety of intellectual property disputes. Ryan has been called an expert in copyright law. Ryan also handles trademark and patent disputes. Based on his success, Ryan has been recognized as a "rising star" and a "super lawyer" in Los Angeles magazine. Ryan graduated from Brigham Young University in 1997 and Harvard Law School in 2000.



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Mr. Schonfeld has extensive experience in protecting the world's leading brand names from infringement and is responsible for the seizure of millions of dollars in counterfeit merchandise. He is highly skilled in preventing and stopping "gray market" imports by using innovative techniques. He has conducted software audit raids for major software companies and several of his cases have resulted in federal criminal prosecution. Mr. Schonfeld also serves as counsel to the Imaging Supplies Coalition, an organization formed by prominent computer companies to combat counterfeiting and unfair and deceptive trade practices affecting the computer supplies industry.



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**M**ark Tratos is the founding and former managing shareholder of the Las Vegas Office of Greenberg Traurig; his practice is focused on the intersection between entertainment and intellectual property with special emphasis on litigating copyrights, trademarks, rights of publicity and privacy, cyber law and art law. Mr. Tratos has represented artists, performers, musicians, producers, distribution companies, fine arts publishers and many of the world's largest resort hotel venues. For more than 20 years, Mark has authored the International Trademark Association's Nevada Chapter of the State Trademark and Unfair Competition Law Treatise. He writes the New York Bar Association's Entertainment Treatise Chapters on the Internet and Art Exhibition. He has been a member of the adjunct faculty at the University of Nevada - Las Vegas for 25 years.

## MEET THE EXPERTS



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Founded over 60 years ago, Daniel Advogados is one of the leading law firms in intellectual property in Brazil, with a history based on inspiration and excellence. In all aspects, the employees are dedicated to maintain the tradition and innovative spirit that transformed the firm into a benchmark for quality in intellectual capital services.

With two offices in Brazil, one in Rio de Janeiro and the other in São Paulo, Daniel Advogados offers acknowledged expertise in intellectual property (IP). This includes services for the protection of patents and utility models, the registration of industrial designs, the registration of trademarks, technology transfer agreements, legal advice for licensing and franchising, IP litigation, opposition to piracy, restraint of unfair competition, support for border measures, copyright, internet rights, biotechnology, and protection of cultivars, among other services.

Six decades of tradition allied to innovation is the main characteristic of this work, which has been performed under the leadership of lawyer Denis Allan Daniel. In 2006, Alicia Daniel-Shores, his daughter, took over control of the firm, thereby providing continuity to the successful management of her father.

In order to provide services in all specialist fields, Daniel Advogados employs staff with a proven reputation, who are highly specialized in civil and criminal litigation, contracts and negotiations, and with a significant presence in the international market.

A personalized service and permanent monitoring are key elements of this success. The continuous access of clients with the partners is an exclusive asset of the firm. The way we work facilitates and perceptively deepens the understanding of the demands of our clients.

Daniel Advogados offers a package of services that are constantly being renewed and updated, in order that the work of six decades remains innovative.



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John K. Fitzgerald earned a Bachelors of Science in Physics from DePaul University in 1972, and a Masters in Business Administration from Central Michigan University in 1981. He received his J.D. (cum laude) in 1993 from Whittier College School of Law, where he was Editor-in-Chief of the Whittier Law Review in 1992-1993. Mr. Fitzgerald specializes in the prosecution and litigation of patents, trademarks, copyright, licensing and trade secret matters, concentrating on high technology matters in the fields of mechanical, analytical, biomedical, optical, e-commerce, computer, network, software and material technology.

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Dr. Hymel was an academic scientist at Tulane Medical School and a Scientific Review Administrator at the National Institutes of Health.

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# Intellectual Property 2014 - The Americas

In this roundtable we spoke with 9 experts from the Americas to discuss the latest Intellectual Property changes and developments in their jurisdiction. Highlighted topics include a discussion on the legal complications arising from crowdsourcing, the impact of the new America Invents Act (AIA), and important case studies such as Alice Corp v. CLS Bank and in Brazil, Samsung v Apple.

## 1. Can you explain how intellectual property works in your jurisdiction with reference to relevant legislative acts?

**Schonfeld:** The United States has a detailed statutory framework for its IP laws which include patent laws, trademark laws and copyright laws. These are federal laws which are uniform throughout the United States. In addition to these statutes, we have many thousands of case opinions which provide a gloss and interpretation on the statutory framework and add many new doctrines and rules that are not evident from the statutes. United States IP law is, therefore, constantly evolving to deal with new technological developments such as nanotechnology, 3D printing, internet developments, social networking and genome sequencing.

**Gossain:** Brazil's Federal IP Law No. 9.279/96 currently in force can be defined as being basically Trips' compliant. There are several

Normative instructions issued by the Brazilian PTO that serve to support Law No. 9.279/96. There are also several pieces of subsequent IP Legislations and Decrees that serve to supplement IP Law No. 9.279/96, however, Law No. 1096/2001 is the only law which actually altered and added provisions to the text of the aforementioned IP law. It should be noted Law No. 9.279/96 has some inconsistencies, such as, the working requirement, stipulated in the law, for local manufacture of the patented product after three years has expired from the patent issue date. This in reality does not occur as the Government does not monitor a patentee or authorised licensee to see whether local manufacture is occurring. One other major inconsistency is in the pharma area where the Ministry of Health exercises a mandatory review of pharma patent applications. The backlog of patent applications pending examination is huge, approximately, 170,000 cases and as a result, a patent can take up

to nine years to issue. Measures are being taken to reduce the backlog to a reasonable timeframe. The Brazilian Government is refusing to extend any Trips plus protection, especially in the pharma area as its policies are to support the development of a strong domestic pharma industry. The Court system works pretty well and foreign companies involved in patent litigation will have a fair trial. Patents are enforceable and there are specialised IP Courts in Rio de Janeiro and São Paulo.

**Fitzgerald:** The statutory basis for the protection of intellectual property rights in the United States is found in various Titles of the United States Code. For example, the law regarding patents is contained in Title 35; Title 15 sets forth the statutes related to Federal Trademark law; and Title 17 sets forth the law concerning Copyrights. Additionally, other Federal or State statutes may be applicable.

**Tratos:** This is an important intersection between intellectual property and entertainment in the United States. While all entertainment uses intellectual property components, certain portions of the entertainment industry have become particularly important in recent years. In particular, the nexus between rights of publicity and copyrights have created unusual outcomes, making it sometimes difficult to predict whether the individual rights of a performer will be upheld versus the rights of producers and distributors in the film, television, and video game industries. Some states like Nevada, California, Oklahoma and Texas have attempted to assist film producers, distributors and video game developers by providing for a state-based registry of celebrity rights to aid in identification and clearance of those rights. Thus, there is a complex relationship between copyright which is governed by federal law and rights of publicity and privacy which is controlled by state common law and statute.

**Sharman:** Most regulation of intellectual property in the United States is still rooted in the jurisdiction of the U.S. Patent and Trademark office as well as the Library of Congress or Copyrights. Trade secret law continues to be adjudicated at the state level creating some confusion in that we still have 50 different states interpreting the appropriate scope of trade secret protection as well as the enforcement of covenants against competition. These critical issues being determined by 50 different state corps is still a grave concern for many global and domestic companies.

**Hymel:** IP rights in the U.S. flow from Article 1, Section 8, Clause 8 of the U.S. Constitution, which empowers Congress to pass laws to secure exclusive rights for authors and inventors to their writings and discoveries for limited times. Congress has passed laws governing patents, trademarks, and copyrights and continues to update them over the years. Key laws include the Lanham Act (1946), the Copyright Act of 1976, the Copyright Term Extension Act (1998), the Digital Millennium Copyright Act (1998), the 1952 Patent Act, the American

Inventors Protection Act (1999), the Patent Reform Act (2005, 2007, 2009), and the America Invents Act (2011). The U.S. Patent and Trademark Office and the Copyright Office promulgate rules to implement the laws. Federal courts interpret and enforce the laws.

## 2. Are you witnessing any prominent trends or strategies?

**Butler:** The America Invents Act (“AIA”) hoping to curb litigation of weak patents expanded the scope of patent review outside of litigation proceedings by creating new routes for post-issuance review of patents. In 2013 the Patent Trials and Appeals Board (“PTAB”) began its evaluation of post-issuance review petitions and issued its first set of final decisions in Covered Business Method (CBM) and Inter Partes Review (IPR) proceedings. These review methods, along with Post Grant Review (PGR), may result in cancelled patent claims, thereby preventing assertion of those patents. On 11 June 2013, the first CBM decision resulted in the cancellation of previously issued claims (*SAP v. Versata*). The PTAB in *SAP*, applied a broad definition of

an unpatentable abstract idea that resulted in the cancellation of Versata’s computer claims. The decision and subsequent denial of a rehearing demonstrate PTAB’s willingness to cancel previously granted claims even after a final decision of infringement at the district court, affirmation from the Federal Circuit, and a \$300 million damages award. The PTAB decision also led to an influx of CBM petitions, with only 36 applications in the 10 months before the decision and 50 in the first four months after. As of November 2013, the vast majority (roughly 70%) of AIA petitions related to electrical/computer patents. Post-issuance review procedures are proving attractive to petitioners because the standard of review is significantly lower than at the district courts, and the PTAB has expressed a willingness to continue review even after petitioners withdraw or settle.

**Baker:** Above many trends in intellectual property law is the cloud. Cloud computing and its inherent decentralisation has raised new issues in almost every area of intellectual property law. In the copyright context,

*ABC, Inc. v. Aereo, Inc.* (Sup. Ct. Case No. 13-461) deals with storage of copyrighted broadcast content on remote servers, located in the “cloud.” Patent law has also grappled with cloud computing issues. In *Limelight Networks Inc. v. Akamai Technologies Inc.*, the U.S. Supreme Court found that Limelight Networks Inc. could not be liable for induced infringement because neither it nor its consumers performed all the steps of Akamai Technologies Inc.’s patent, although Limelight and its customers each performed certain steps. Some have argued that case creates a huge loophole for infringers.

Related to cloud computing and decentralisation, another important on-going trends in intellectual property law is its increasing internationalisation. As patented inventions and other intellectual property are increasingly developed on a global scale, the legal architecture protecting intellectual property is still, to a large extent, dominated by the parochial interests of individual nations. The development of Chinese intellectual property law and its accompanying enforcement mechanisms will be interesting to

observe. As China increasingly develops specialised intellectual property such as like the intellectual property tribunals of the Shanghai People's Court, intellectual property holders may abandon their traditional reticence to litigate claims in China.

**Schonfeld:** In the past year, we have seen legislative efforts to control the amount of patent litigation which is directed at so-called "patent trolls." However, the legislative efforts against "patent trolls" have not been successful. Since legislative efforts have failed, defendants in patent cases may be more vigorous in asking courts to penalise plaintiffs who bring meritless lawsuits.

Another trend is the rising role of 3D printing and what it means to the IP system. We are seeing the advent of 3D printing which will enable manufacturing by consumers without the need for factories. The effects of 3D printing on copyright, patent and trademark law are going to be very significant. What will it mean when we can manufacture anything anywhere without governmental oversight?

**Gossain:** The Brazilian Government is bent on stimulating national cutting-edge innovation and thus wants to empower its domestic industry so that these industries can innovate and compete. This is the very reason that Brazil created a few years back, an ambitious project called "*Plano Brasil Maior*" (Greater Brazil Plan) as a country-wide industrial, technology and foreign trade policy in partnership with the private sector. The Federal Government has been welcoming foreign investment and encouraging them to rig up and install research and development centres in Brazil. An example of the Federal Government's efforts is the creation of an Industrial Health Complex Programme aiming at increasing the number of technology transfer agreements among pharmaceutical institutions and to stimulate local innovation and increase domestic pharmaceutical production. IP, in particular, patents has been gaining more attention in the national agenda. A Patent Reform is definitely been contemplated and the fundamental goal is to stimulate local research and create new products and processes.

If this Patent Reform is approved under the present Administration, it can be expected that the resulting law will take into consideration the Government priorities on innovation towards national competitiveness.

**Warner:** The new American Invents Act (AIA) review proceedings before the Patent Trial and Appeal Board (PTAB) at the U.S. Patent & Trademark Office are becoming more and more popular. And, so far, the PTAB has overwhelmingly decided in favour of the patent challengers in the review proceedings, with the vast majority of PTAB decisions finding that the challenged claims are not patentable. The AIA review proceedings are an alternative to challenging validity of a United States patent in our court system, and as such, defendants in patent litigations are increasingly petitioning the PTAB to review the patents that the defendants are accused of infringing.

**Fitzgerald:** The implementation of various aspects of the America Invents Act has profoundly altered the patent landscape in the United States, not only did it change the rules of inventorship

to a "first to file" regime, but it also implemented substantial post grant review procedures. One current trend appears to be the use of such post grant review procedures as a weapon to attack the types of broad patents relied asserted by so-called patent trolls. The substantive procedural aspects of these procedures, as well as how the law is being applied by the Patent Trial and Appeal Board is still developing, and should be continuously reviewed, particularly when developing defensive strategies.

**Tratos:** There has been an important shift in intellectual property prosecution for trademarks and copyrights which has resulted in the commoditisation of those practices. Several new computer programs have essentially automated the process of trademark filings in such a manner as to drive the cost of filings to very low points. Regrettably, the automation does not provide the trademark owner with advice or counselling which would help the owners determine whether there was any genuine benefit in filing the registration. Thus, as the practice has become commoditised, the cost of filings has decreased but

so too the quality of filings has been decreased, making this a race to the bottom.

**Sharman:** It is very disappointing that the U.S. Congress was unable to pass affective anti-troll legislation in 2014. Many entrepreneurs and small businesses who had faced excessive and expensive threats of litigation were hopeful that some relief would be provided by Congress. However, complexities in the definition as to what constituted “non-practicing entities” was difficult for Congress to determine and they faced heavy lobbying against the legislation from a wide variety of business groups.

Another prominent trend has been an increasing level of pressure by activist shareholders on companies’ board of directors and leaders, to better manage, protect and harvest their intellectual property and intangible assets. While very few of these threats have formally turned into litigation, global companies with significant portfolios of intellectual property assets should carefully monitor this trend and ensure that intangible asset management programs are put in place.

**Hymel:** There is a trend in the U.S. towards weakening patent rights through judicial decisions that carve out increasing exceptions to patent eligibility, which previously was very broad. Since the Supreme Court *Bilski* decision in 2008, a string of Supreme Court decisions have carved out exceptions ever increasing in scope. The *Mayo* decision in 2012 harmed medical diagnostics by confounding laws of nature with their application, and the *Myriad* decision of 2013 destroyed thousands of biotechnology patents by failing to comprehend and acknowledge the inventive contribution in identifying and isolating gene sequences and other natural products. The *Alice Corp.* decision of 2014 questions the validity of many software patents. Changes of such magnitude should be brought about by Congress, not the courts, after debate involving all constituents.

### 3. Who will be the biggest winners and losers of the new Top Level Domains (“TLDs”)?

**Baker:** The biggest winners from TLDs will be TLD registry providers –

although TLDs seem ultimately to be a speculative bubble, TLD registries are poised to profit spectacularly from this bubble. Unfortunately, we believe that some of the biggest losers at the end of the day will be businesses and brands who will be charged enormous sums at unfair terms to essentially defend their names from predatory third parties. As we do not expect established businesses and brands to lie down in the face of this extortion, we anticipate that IP litigators and alternative dispute resolution providers to see an uptick in business.

**Warner:** The new TLDs will allow registration of top level domains expanded beyond the traditional choices (e.g., .com, .net, .gov). The biggest winners will be trademark holders who act quickly to register a TLD bearing their mark after successfully verifying their mark’s existence through ICANN’s Trademark Clearinghouse, designed to prevent cybersquatting. The biggest losers may be trademark holders with less distinctive marks, or those that approach the Trademark Clearinghouse after a desired TLD is taken. In this scenario, web traffic

or search results may be directed to a first registered TLD, potentially misdirecting the public, and resulting in instances of public confusion.

### 4. In your opinion, what are the biggest and most interesting cases to follow in 2014?

**Baker:** *ABC, Inc. v. Aereo, Inc.*, (*Sup. Ct. Case No. No. 13-461*), relates to copyright holders’ public performance rights. Aereo has a technology that enables users to access over-the-air broadcast network content via the user’s computer and internet service by remotely housing antennas and DVRs. The major networks claim this technology makes public performances and infringes their exclusive rights granted to them under copyright law. Aereo claims the transmissions of the content to users is individualised, one-to-one, so it is not a public performance and it is just acting as a service that rents equipment to users. This case could potentially have a huge impact on the cloud computing industry. It was argued on 22 April 2014, and a decision is expected to be out sometime this month.



*Alice v. CLS Bank, Sup. Ct. Case No. No. 13-298*, argued 31 March 2014, relates to the legal standard for determining patentability of computer implemented inventions. The case addresses whether a computer-implemented, electronic escrow service concerns abstract ideas ineligible for patent protection. The Supreme Court's decision could have an enormous impact on countless method patents. The decision is expected to be out sometime this month.

*Petrella v. Metro-Goldwyn-Mayer Inc., 134 S.Ct. 1962 (2014)*, addresses the affirmative defence of laches in the context of copyright infringement claims. The daughter of a screenwriter brought infringement claims against MGM, related to the movie *Raging Bull*, based on a screenplay copyrighted in 1963. Metro-Goldwyn-Mayer Inc. argued her claims, which were alleged to be outside the three year statute of limitations applicable to copyright infringement claims, were barred by laches. Largely due to the fact the damages had continued to accrue throughout that time period between her notice of her belief

Metro-Goldwyn-Mayer Inc. was infringing and her instituting the action, the Supreme Court concluded that laches cannot be invoked to bar copyright infringement claims for damages accrued within the statutory period. This case has been remanded to the district court for further proceedings.

In *Nautilus v. Biosig Instruments, Inc., Sup. Ct. Case No. No. 13-369*, the Supreme Court considered one measure of patent validity, definiteness. The Court overturned the Federal Circuit's "insolubly ambiguous or amendable to construction" standard and held that the standard for determining invalidity for indefiniteness should be whether a person skilled in the art, in light of the specification and prosecution history, with a "reasonable certainty" ascertain the scope of the invention.

**Butler:** The U.S. Supreme Court recently tackled the issue of what kinds of inventions are patentable in relation to computer-implemented inventions (*CLS Bank v. Alice Corp.*) This case has brought into question the viability of electronic and computer patents

in the U.S. with the Supreme Court holding the computerised method in *CLS Bank* not patentable because it was merely an abstract idea. Since the U.S. Patent and Trademark Office has granted thousands of patents claiming computer-implemented business method inventions, this decision may have serious ramifications for many other such patents. The Supreme Court clearly stated that it did not want the exclusion of abstract ideas from patent-eligible subject matter to "swallow all of patent law"; however, the actual reach of the Supreme Court's decision will undoubtedly play out in the coming months and years.

**Schonfeld:** The most significant IP case of 2014 was the *Alice Corp. v. CLS Bank* decision by the US Supreme Court. It was significant as much for what it did not say, as for what it did say. The business and technology communities had feared that the Supreme Court in *Alice* would strike down business method patents. It did not do so. The Court restated the rule that laws of nature, natural phenomena and abstract ideas are not patentable. They do not become patentable simply because they are

expressed on a computer system. In response, patent drafters will have to be more specific in showing that their claims do not simply reflect the use of computers to apply abstract ideas. The Federal Circuit and the district courts will be charged with implementing the difficult and indefinite test for patentability advanced by the *Alice* decision.

**Gossain:** *The MYRIAD Case* - In June, the Supreme Court held unanimously that isolated human DNA is patent-ineligible, wiping out some of Myriad's claims. But the court said in some circumstances composition claims for complementary DNA (cDNA), which is synthesised from messenger RNA, can be patented.

*Unitary Patent* - The UP's official languages—English, French and German—are part of the package approved in December 2012. Spain and Italy had five arguments before the CJEU, including the one that there was a "misuse of powers" when their language objections were ignored, but all were rejected. Experts say that if the court had ruled otherwise, the system would have collapsed.

*Apple v. Samsung (Brazil)* - Brazilian PTO rejected Apple's 'iPhone' trademark application for selling smartphones. Apple has been selling its iPhone in Brazil since 2007, but local company Gradiente had applied to register the mark 'Gradiente iPhone' in 2000—six years before Apple's application. Gradiente's application was allowed in 2008. After Apple's registration was rejected, the company attempted to cancel Gradiente's mark. In September, a Brazilian court partially upheld that request, ruling that Gradiente does not have exclusive rights to the 'iPhone' mark in Brazil. The decision has been appealed by Gradiente and a decision is expected to be handed down soon.

**Warner:** The U.S. Supreme Court has recently decided several significant patent cases. In particular, the Court rendered decisions regarding whether certain types of computer-related inventions are patentable (*Alice Corp. v. CLS Bank International*), the clarity required in patent claim language (*Nautilus v. Biosig*), and the requirements for finding liability for induced infringement of a patent (*Limelight Networks v. Akamai Tech.*).

It will be interesting to see how our lower courts interpret and apply these decisions. In the next term, the Supreme Court will be deciding another important patent case (*Teva v. Sandoz*) regarding the standard of review that the U.S. Court of Appeals for the Federal Circuit (our intellectual property appellate court) applies to a lower court's patent claim construction. Depending on the outcome, this case may have a significant impact on future patent litigations in the U.S.

**Fitzgerald:** While the Supreme Court has spoken on six major IP related cases this term, all of those holdings now must be applied by the District Courts and the Federal Circuit. I believe that the way that the Federal Circuit applies the guidance of *Alice v. CLS Bank* to the field of software patents will be both important and interesting. Another interesting case that bears watching is *Teva v. Sandoz*, which asks what is the proper standard of review of claim construction to be used by the Federal Circuit.

**Hymel:** We should see important further developments in patent

eligibility, resulting from the Myriad and Alice Corp. decisions and the USPTO's efforts to implement them. Already, USPTO has issued its Guidelines regarding natural products and diagnostics, in which it excessively and unjustifiably broadened the Mayo and Myriad holdings without consulting patent practitioners or the affected industries. After a huge outcry, it may revise the Guidelines and will certainly offer further guidelines based on the Alice Corp. holding. Also important to follow will be new litigation resulting from the denial of patents based on the Guidelines and efforts to invalidate existing patents based on the recent Supreme Court cases.

#### 5. To what extent do non-practicing entities ("patent trolls") stifle innovation in the current intellectual property landscape?

**Butler:** Hewlett-Packard, Cisco, Apple, Google, etc. all [operate their own internal units](#) and intellectual property holding companies that buy, sell, and litigate patents never used in their products. Does that make them "patent trolls"? I think most people

would say not. Also, universities the world over generate a significant number of patents that are never used by the universities themselves, and the patents are instead licensed or sold and the revenue is put back into research. Does that make them "patent trolls"? The question is not as simple as equating all perceived non-practising entities to trolls. There are certainly entities that acquire weak patents with the sole vision of extracting licensing fees from SME's who are not in a position, financially or otherwise, to evaluate the strength of the asserted patent or portfolio or to engage in litigation and thus are less likely to innovate. However, there are also entities that acquire only patents that have been evaluated as strong, from individuals who might not otherwise get exposure as well as conglomerates, and make these patents available to others who can benefit from them and possibly build on them. I read recently that with the help of university patents over the last few decades, more than 5000 new products and 7000 new companies have been launched. That hardly seems like innovation is being stifled.

**Baker:** Patent trolls rely on the high cost of litigation to extract settlement from defendants. Patent trolls stifle innovation by requiring companies, which would be spending money on research and design, to instead spend that money on patent litigation and “acquisition.” Studies show patent trolls could cost the economy in a sum close to \$30 billion a year. See, e.g., [2012 study by Boston University Law School professors Michael J. Meurer and James Bessen](#). Further, the trolls do not just go after the large, successful innovators, but frequently target small and mid-size businesses. The study by Muerer and Bessen revealed that small and mid-size companies pay more than one third of that almost \$30 billion a year.

**Gossain:** This is more a US reality than in any other jurisdiction. The primary targets of “patent trolls” are small to mid-sized companies. There is a wide consensus that the proposals presented by the US Government will not provide substantial impact on NPE litigation and many share the view that the “trolls” will continue to use “exclusive” licensees to issue demand letters or to initiate infringement

proceedings. Moreover, small and mid-sized businesses do not have the financial resources to engage in patent litigation. The positive side of this is it does appear that the US Government is concerned about and engaged in the debate over innovation by Universities, start up companies and sole inventors.

**Warner:** Non-practicing entities (NPEs) obtain patents solely for the purpose of engaging in litigation or the threat of litigation. Innovation often is stifled as companies of all sizes, from small to those with the largest R&D departments, waste time and large sums of money - sometimes more than what is spent on R&D - to fight, settle, or license with these NPEs. Fear of litigation that could result in bankruptcy for small companies or individuals, or reduced profits for large corporations, prevents the advancement of research and/or product development to its fullest potential. Further, since the NPE patent owner does not actively use the patented technology, no additional research is pursued and technology is not advanced.

**Sharman:** See comments in my answer to number two, the affects have been very stifling as well as have sent the wrong messages as to what constitutes effective intellectual property harvesting.

**Hymel:** Non-practicing entities can litigate patents either justifiably or frivolously. Those that own rights to valid patents don't stifle innovation at all, but in contrast are promoting innovation by rewarding the inventor(s) as the system intends. Even those that assert patents of dubious value are not really stifling innovation so much as they are extorting money from smaller companies by misusing invalid patents. They stifle innovation indirectly by destroying public trust in the system and promoting anti-patent sentiments. Legislation is needed to level the playing field, which currently favours the plaintiff against an innocent infringer, due to costs of litigation.

**6. Can you outline the significance and repercussions of the pharmaceutical “patent cliff” in the current landscape?**

**Butler:** Drugs going off-patent in 2014 contribute just under \$50 billion in pharmaceutical industry revenue. Despite this, however, it is unlikely that big pharma will go over the “patent cliff” and ride off into the sunset. First, loss of patents on prescription drugs is not the only factor at play. Not all products losing protection face imminent competition from generics; and, for those that do, the generic must get approval from the FDA and, usually, engage in litigation. Also, most of the patent expirations from last year involved small-molecule drugs, which are easy to replicate, while many of those expiring in the future are biologics, or large-molecule drugs, and those drugs are not as easy to for generics to reengineer. Big pharma is also learning from past cliffs and changing their business models, including, for example, investing more in niche busters.

**Baker:** Pharmaceutical companies are losing drug patents in high rates (the patent protections are expiring), which threatens billions of dollars in revenue for the big pharmaceutical companies. Once the drug is no longer patent protected, other

companies are free to replicate it, and create “generics.” Those generics are generally much cheaper than the name branded, previously patent protected drug, so sales of the generics undercut the revenues the companies receive for the name brand drug. The major potential repercussion is that once companies no longer have the large, protected revenue stream generated by the patent protections of the drugs, the companies’ money available to reinvest in research and development will decrease, thus decreasing new, effective drugs entering the market. According to Bloomberg Businessweek, “drugs going off-patent in 2014 contribute just under \$50 billion in pharmaceutical industry revenue.” Companies facing the patent cliff must find ways to expand or enhance the product line.

**Gossain:** Sales of patented pharmaceuticals in Brazil reached approximately US\$9.3 billion in 2012 which is more than twice the figure in 2006. The patented drugs that generated the greatest revenues in 2008 were GLIVEC, LIPTOR, ZYPREXA, MABTHERA, HUMIRA, CIALIS and AVASTIN, many of which have

lost or are to lose patent protection, meaning that sales margins should be eroded by penetration of cheaper generic drugs. Other drugs without a re-enforceable patent in the country but which generate a comparable level of revenue includes REMICADE, REBIF, PEGINTON, VIAGRA, CRESTOR and HUMULIN. The high sales volume is due to lack of advanced technology to produce generic versions of complex biologicals, and patient preference for branded pharmaceuticals. Thus, in spite of an increasing competitive generic drug sector and with the advent of an expected Patent cliff over the next five years, increasing access to branded drugs will be a trend as the country’s wealth increases. In addition, the ongoing demand for private healthcare will be a key factor of sales growth for branded and innovative products.

**Warner:** The pharmaceutical “patent cliff” relates to the intriguing relationship between patent expiration dates and an abrupt drop in sales that follows for patented pharmaceuticals holding large market share percentages prior to the patent expiration. In the current marketplace, several big name

pharmaceutical companies have taken or will be taking large hits in revenues as they lose patent protection for their blockbuster drugs. This dropoff in revenue has encouraged larger players in the pharmaceutical industry to explore new avenues for growth, for example, through the acquisition of smaller companies with promising drug pipelines.

#### 7. What are the difficulties in representing international companies in cross-national IP, copyright or patent cases?

**Butler:** Difficulties can arise because different countries have different rules and afford different rights and protections. Language is also a problem. For example, in a trademark scenario, “Craic” means fun in Ireland, but means something completely different in the U.S., and often times people/entities do not consider the full potential reach of their trademarks when they start out. Similarly, claims in a patent can have very different meanings when translated into other languages depending on local dialects and lexicography. Other issues that arise with international clients,

particularly in litigation in the U.S., are the impact of foreign privacy laws and foreign privilege rules on discovery. While European privacy rules, for example, offer much protection to the individual, European privilege rules do not afford nearly as much protection. International companies should keep these items in mind when structuring their organisations.

**Baker:** Coordination is important when representing an international company in cross-national IP matters. Each locale might have different requirements and some might be conflicting. These requirements include applicable law, as well as custom and practice in a particular industry. Discovery, a critical element to any intellectual property case, is complicated in cross-national disputes. This is particularly true when the dispute involves countries with blocking statutes or other protectionist measures. A strategic plan should be developed to coordinate and guide to all cross-national activities.

**Schonfeld:** The primary difficulty is dealing with different rules and laws in various jurisdictions and trying to

harmonise your approach to make sure that you do not take conflicting positions in different countries. Other issues include whether a United States proceeding should be stayed in favour of parallel foreign proceeding, and whether discovery obtained in the United States - where discovery rights are broader - may be used in foreign proceedings.

**Gossain:** Domestic Courts can assume jurisdiction to decide on infringements of intellectual property rights which are committed abroad Section 12 of the Introduction Law to the Brazilian Civil Code and section 88 of the Brazilian Civil Procedure Code rule that Brazilian Courts are empowered to judge a case whenever:

- the defendant, of any nationality, is domiciled in Brazil;
- the obligation is enforceable in Brazil; or
- the cause of action is referred to a fact happened or practiced in Brazil.

If any of such conditions is met, Brazilian Courts can decide on infringements of intellectual property rights committed abroad. An example is a lawsuit filed by the Brazilian injured

party to make the Brazilian defendant refrain from using a domain name registration, granted in the United States, which infringes upon a well-known trademark

The international jurisdiction mentioned above refers only to Civil Courts. The criminal jurisdiction under the Brazilian law is in principle limited to crimes committed in the Brazilian territory. Yet, under certain circumstances, criminal Courts are empowered to try crimes committed abroad basically when the crime was committed against a Brazilian public entity or by a Brazilian citizen (according to provisions - under section 7 of Brazilian Penal Code). Also, local criminal courts may prosecute crimes that Brazil has undertaken to repress under international treaties

**Warner:** When assisting international companies with their IP portfolios, one of the biggest challenges is the lack of harmonisation in patent laws among the various countries in which a company desires to pursue patent protection. Although virtually all countries now follow a first-to-file system, the unique features of

each country must be thoroughly researched. Accordingly, patent attorneys should review the patent laws of the countries in which protection is desired, and potentially seek advice from foreign counsel to avoid potential pitfalls.

**Fitzgerald:** The major difficulty is communicating the differences between United States law and the law of the country in which the case is being contested. It is necessary to develop and understanding of the peculiarities of the national law and procedure so as to be able to present clear options to the client, but also to be able to communicate the clients wishes to the foreign attorney in terms that are understandable to the local attorney. Another difficulty is the need to obtain timely and accurate translations for all proceedings and documents used during the case. Inaccurate or late translations may have a substantial bearing not only on the posture of the case, but also on its ultimate resolution.

**Tratos:** The largest challenge is determine appropriate choice of law. While international treaties

have tried to harmonise the treatment that intellectual property receives from country to country, the inherent differences in the underlying copyright acts and patent acts create inherent challenges for applicability. Nevada and some other states like Texas have become very popular places for incorporation and although patent is exclusively federal in nature, Nevada's IP Ownership Act means that employers own the intellectual property of patents and trade secrets invented or created by employees working within the scope of their employment, even when the employment agreement is silent on the topic of ownership. Thus, knowing the choice of law becomes critical in determining ownership of the underlying intellectual property.

**Sharman:** The primary challenge in representing multi-national owners of intellectual property are the different cultural, legal and regulatory differences between the various jurisdictions and the lack of global harmonisation of intellectual property norms and best practices. There are also a wide variety of more technical litigation logistical issues

such as appropriate venue, applicable law and whether the matter should be adjudicated by a traditional court, a specialised court, a regulatory body (such as the International Trade Commission) or by some form of arbitration or mediation. The more that parties engaged in cross-border transactions and/or licencing activities can address these issues in the body of the definitive documents, the less expensive and complicated these matters will be to resolve.

#### 8. What are the potential legal complications arising from crowdsourcing intellectual property?

**Baker:** The primary legal complication arising from crowdsourcing of intellectual property relates to ownership of the final technology and at what point that ownership takes effect. If a company employee produced the IP solution to the proposed problem, in most instances, the property would belong to the company. This is true for independent contractors, as well. However, currently, crowdsourced solutions are the property of the developer until formally transferred

to the company. Special measures must be taken by any authors of works offered through crowdsourcing to ensure those authors are properly compensated for any intellectual property they transfer.

**Schonfeld:** Crowdsourcing and crowdfunding are innovative new ideas for the internet economy. It is possible for these models to coexist with our traditional methods of owning IP and funding of IP inventions. But we need to develop better rules and models before these can be widely used and accepted by the investment and business community. For example, if numerous persons contribute to an invention, who is deemed the owner? Who will be the patentee? Similarly, the Securities and Exchange Commission needs to develop rules regarding the funding of investments, the disclosure of risks to investors and how ownership in a crowdfunded company is fairly and equitably distributed.

**Warner:** Because the ownership of most intellectual property in the U.S. initially vests in the inventor or designer, it is important to establish

a contractual relationship before the work begins, in order to properly transfer ownership, and then obtain assignments after the work is completed. Further, it is important to establish mechanisms to identify and to track the contributions of each individual working on a project in order to ensure that the inventors and designers are accurately identified. Another legal complication relates to confidentiality. The larger the project and the less of a relationship each participant has with the others, the larger the risk of public disclosure, which may have repercussions on patentability.

**Fitzgerald:** Crowdsourcing intellectual property (IP) is oft times an invitation to third parties to participate in the intimate aspects of your business. To those seeking “out of the box” solutions to problems, crowdsourcing at first glance looks promising, but sets many traps for the unwary. When considering crowdsourcing, one must consider ownership of the IP. For example, when crowdsourcing inventions, a situation may arise when a crowdsourcer may assert joint ownership of an

invention. The same situation may arise under copyright law if a creative work is crowdsourced. One should also consider local, state and federal laws that may apply, such as, for example, employment or securities laws. Use of third parties may also result in the disclosure of sensitive trade secrets or future strategies of a company unless steps are taken during recruitment and contracting with the third party to clearly define relationships and obligations of the parties, and ownership of the results of the crowdsourced activity.

**Tratos:** Crowdsourcing of intellectual property closely resembles crowd source funding in that varying contributions which arise from divergent and anonymous sources potentially create opportunities for inadvertent infringement as well as uncertainty as to the propriety of claiming any intellectual property ownership in the resulting creation. Risk adverse companies and corporations would be inclined to avoid relying upon innovation from anonymous or undisclosed sources. Conversely, being able to identify the contributions from known crowd

source individuals might give rise to clear factual threads which could encourage litigation. Because of the uncertainties, it is less likely that crowdsourcing intellectual property will become a large percentage of the intellectual property creations in the world, generally.

**Sharman:** The most significant legal complication has to do with the clear title of ownership in a scenario where potentially dozens if not hundreds of people or companies may have contributed to the creation of the intellectual property asset. This creates a wide variety of challenges not only in the prosecution of intellectual property rights (i.e., the identification of the co-inventors) as well as clear title challenges in the formulation of representations and warranties when the intellectual property is ultimately licensed or sold.

**Hymel:** Crowdsourcing requires careful documentation of transfer of IP rights from the creators to the entity that intends to commercialise the IP. Dangers include the potential for a contributed work to not be original, for it to be a derivative work subject to

third party rights, for it to include open source or public domain material, or for the assignment or license to be defective or inappropriate for the intended transfer of rights.

#### 9. How important is it to have solid net neutrality rules in order to promote innovation?

**Baker:** It is absolutely essential. Net neutrality has been a clear driver of economic innovation on the web. The neutral playing field that those rules ensure allow all parties a chance at success. In their absence, the highest bidders (likely well established) will have no reason to continue to get better and improve consumer choice if they know they will be able to dominate internet traffic. The marketplace and not network operators should determine winners and losers. It is difficult to see how that will happen if already entrenched interests become more entrenched. The barriers to entry will simply be too large for the vast majority of innovators to overcome. In the absence of net neutrality rules, large telecommunications companies and entrenched businesses able to pay for increased speed will benefit,

everyone else will not.

**Warner:** Net neutrality refers to the principle that the internet infrastructure must route data without regard to its source, destination, or content. A regulatory policy that maintains this neutrality is critical to maintain the low barrier to entry that has long-characterised the internet. A non-neutral internet creates opportunities for deep-pocketed players to receive faster, more reliable service, shutting out competitors who would otherwise not need capital investment to compete. Further, because internet service providers may enjoy a geographic monopoly, innovators who require lots of bandwidth for their technologies - for example, peer to peer (P2P) services or high-bandwidth video providers - may be unable to find outlets to develop or market their technology.

#### 10. Can you outline the best practices in portfolio management?

**Baker:** Management of an IP portfolio, especially with the speed of technology advancements today, requires diligence, attention and tools

that enable acquisition, analysis and organisation and protection. First, identify the company's current core technological areas. The areas that are vital to the company's business should be given priority. A solid portfolio will spread the risk among many patents, as this decreases the dependency on individual patents. The portfolio should still be one of quality though, and not just a collection of patents for every idea that has come along. Establish an IP portfolio strategy that is aligned with the company's business objectives. A company should have a continuous, organised strategy that looks at innovation, the scope, and the quality of patents, as well as the portfolio itself. A portfolio should be strong and properly scaled, as it can act as a defensive and offensive weapon in litigation. Having multiple patents in a given subject matter in the portfolio allows for potential counter-claims, while also discourages others from entering the field. As with investment portfolios, diversity and balance are also important. Diversity hedges risks. Balance of the portfolio requires a monitoring of the life span of technologies and patents. Patents should be renewed, defended or

abandoned based on the markets demands. Of the utmost importance is just attention to the portfolio and periodic review and re-balancing. Ensure adequate protection of company's core technology and supplement with continuation applications and continuation-in-part applications, where necessary.

**Fitzgerald:** Given the cost of obtaining and maintaining an intellectual property portfolio, it is important to ensure that the portfolio mirrors the long term planning of the portfolio holder. The portfolio should be reviewed and the parameters of the portfolio updated as the long term plans of the company are modified. The portfolio contents should also be pruned by selling of non-performing assets or by allowing them to lapse. I always suggest that the portfolio owner develop a metric to assess the value of the portfolio, and to treat its portfolio in a manner similar to other assets of the company.

**Tratos:** Portfolio management of copyrights and trademarks vary markedly in application, however, both rely upon a basic understanding

of the underlying business interests. Typically in copyright portfolio management the enterprise of expanding the library assumes that licensing and exploitation assumes that exploitation of the images will occur through licensing and/or sales of the copyrighted materials. Trademarks and service marks, on the other hand, presume that the management is not of the marks but of the business operations which the marks identify and represent as goodwill. Management of a mark portfolio is dependent upon a long-term view of the business evolution and its competitive positioning in its marketplace.

### 11. How can the next generation of creative innovators be better prepared for open innovation?

**Butler:** Open Innovation means different things to different people and industries. Regardless of the meaning or the industry, open innovation as we move forward requires the involvement of government, academia, industry, and the public, and generating network effects and synergies in the vast networks that run between

them. To maximise the benefits of open innovation, the next generation of innovators needs to be informed – they need to find a way to avail of knowledge and share knowledge collectively and collaboratively; and, they need to recognise the potential of compliments in their industry – not the praising kind, though they should receive those too! Think we are all standing on the shoulders of giants, and not one of those giants is an island.

**Schonfeld:** The primary idea behind open innovation is that, in a world of widely distributed knowledge, companies cannot afford to rely entirely on their own research, but should instead buy or license information, invention, processes and from other companies. The dangers to ownership of IP are evident in this model since it means sharing and wider distribution of inventions and IP. Companies need to license and examine their contracts very carefully to ensure that they are not unwittingly giving up their rights. Expert legal assistance in drafting collaboration and joint venture agreements will be very important in this environment.

**Warner:** Future innovators should ensure that they are aware of their ownership interest in the innovation, even if their contribution is not used. They also should understand what future actions may be required of them. For example, will they need to execute an assignment? If the innovation is litigated, will they have to be deposed or testify in court? In web based open innovation, click-through agreements are common ways to establish a contractual relationship and to identify these ownership interests and obligations. In other contexts, these click-through agreements have been held to be enforceable, so innovators may need to take the time to read and to understand these agreements, instead of just quickly checking a box to indicate that they have read and agree to the terms (without fully understanding them).

**Tratos:** Total harmonisation of the world intellectual property is unlikely to occur in the next generation or two, if ever. Accordingly, innovators who wish to develop and exploit their intellectual property should have a broader understanding of the jurisdictional differences and unique



idiosyncrasies of the intellectual property laws in diverse jurisdictions to determine where innovation should occur in order to maximise the potential protections afforded under particular jurisdictional law. Some jurisdictions simply will better foster innovation than others because the underlying statutory schemes in those jurisdictions will either foster intellectual property ownership or will discourage it depending upon the innovator's intentions. Finding the jurisdictional locations which are best suited for the company's objectives and purposes will facilitate the development of a more consistent outcome squaring the objective of a company with the laws which will best promote the objective.

**Sharman:** There is definitely a trend towards more open innovation, especially among the millennials who have grown up since birth in a Web 2.0, highly transparent environment where more innovation has taken place in a one-two-many environment as opposed to a one-two-one context. This next generation of innovator is more used to creating on an open and transparent platform than hiding

in a room above a garage inventing new things. This will create new rules of collaboration, best practices and shifting cultures inside both large and small companies worldwide. Innovators of the future will be forced to find new business models and new revenue streams, just like music industry did in response to iTunes and the television industry has done in response to Netflix.

**Hymel:** Innovators need to ensure that their content is original, or if open source or public domain material is included, this needs to be carefully documented. They also need to read the fine print in any agreements that they sign or click through, keep copies of the agreements, and seek legal advice where appropriate. Finally, they need to distinguish from the outset between works they are willing to entirely assign or license away and works they expect to make future use of and need to reserve rights in.

