INTELLECTUAL PROPERTY FOR THE BUSINESS TRANSACTIONAL LAWYER

DEPAUL UNIVERSITY COLLEGE OF LAW

SYLLABUS

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Grade based on final examination, which is expected to be a take-home during a time block discussed with class (w/2-3 days allowed for 3-4 hour exam). At instructor discretion, excellent class participation may be used to raise grade obtained on exam by ½ level (e.g. B+ to A-). The class will be conducted through lecture and discussion of the course materials, which are mainly operative documents and articles by practitioners, as well as selected cases and statutes. If time permits, there will also be a short, required but ungraded, homework assignment which will pertain to a mock contract negotiation, involving a portion of the class (preferably volunteers) as direct participants. For written materials, please see attached.

In this area, private ordering often takes precedence over external ordering. That is, the parties will often negotiate their desired outcome, rather than depending on courts to determine it. Thus we will emphasize drafting, counseling and negotiation skills to be developed through consideration of practitioner-generated materials, in addition to cases. This course will supplement the skills you develop in other courses, by helping you to develop the tools needed to avoid disputes and identify the key distinctions between litigation and transactional practice. This effort will also involve discussing the manner in which transactional counsel must use judgment and discretion when applying the substantive knowledge learned in school and practice in real life counseling and negotiation.

In that younger lawyers are increasingly at the forefront of knowledge in this field, another objective of the course will be to enhance your ability to act as resources for colleagues in other areas of the law. As such, the class is about both the use and the creation of IP and the underlying policy considerations, as well as the growing significance of IP to “general” corporate practice and the need to draw upon other legal fields (and law school courses) when presented with IP problems.

While this course will focus on US law and practice, in view of the increasing significance of non-US law to this area, students are encouraged to augment the content of this course with another course which addresses non-US issues.
I. Types of IP and public policy considerations:

A. patents – various types; common requirements; recent developments – increased interest of U.S. Supreme Court and International Trade Commission; American Invents Act
B. trademarks/servicemarks
C. copyrights – traditional and digital; Digital Millennium Copyright Act
D. trade secrets and confidential information
E. software (which incorporates elements of all of the above)
F. direct ownership of A-E vs licenses of same; nature of a license and current issues
G. great and growing economic significance
H. public policy objectives and technological changes shaping practice, legislation and adjudication in the area;
I. need for “real time” perspective for the practitioner
   1. technology and business practices
   2. legislation
   3. adjudication; pending and final

II. Transactions and situations in which business transactional lawyers encounter IP, and the opportunity to reduce the likelihood of disputes and litigation through negotiation, counseling and drafting

A. direct procurement or exploitation
   1. 3rd party development
   2. licensing vs purchase
   3. internal employee development – work for hire
B. potential part of virtually every of start-up business model and business plan; ethical concerns for counsel
C. M&A
   1. due diligence – test procedural and substantive adequacy
   2. assess effect of transfer
   3. mechanics to effect transfer
D. compliance counseling/incipient dispute counseling
   1. interpret a license – e.g. server based vs named user vs processing capacity vs enterprise; geographic; product type
   2. direct compliance efforts
   3. advise as to data security – growing interest of FTC in light of huge data breaches, SOX obligations of public companies; EU privacy obligations
   4. respond to a challenge
   5. police the market and initiate challenges
E. antitrust/trade regulation issues
   1. changing perspective
   2. business vs consumer issues

III. Direct creation, procurement or exploitation – custom vs mass market (“off-the-shelf”; shrink wrap”; “click-through”); fundamental role of client input
A. identify the product
   1. technical description – patent or trademark name; type of software
   2. functional business specifications for output – function, throughput, material usage, load time, response time, physical environment, geographic restrictions, security, etc.

B. for 3rd party procurement, determine type of interest - ownership vs license

C. determine utilization rights of both parties and discuss interplay between contract terms and economics
   1. can provider make available to other customers – same industry vs general
   2. where can (and must) customer use – type of license: particular country, product, site or entity, CPU, enterprise, etc.; promotional support if royalty based; which enterprise
   3. specify compatible environment – e.g. raw materials, machine type, operating system, temperature, etc.
   4. may/must customer sublicense?

D. determine provider responsibility/customer remedies –
   1. liability and remedy limitation
   2. warranty disclaimer
   3. express warranties
   4. firm commitment vs effort
   5. maintenance or technical support where applicable (product patent vs software license; upgrades)
   6. reservation of previously owned IP
   7. support for older versions – avoid forced upgrades
   8. internal use vs promotion for licensor
   9. special issues for provider-hosted applications; functionality/performance; security for databases and transmissions
   10. verification/compliance audit

E. Special burdens and benefits of internal development
   1. work for hire issues; contractors vs employees – common law vs contract
   2. significance of confidentiality and proactive steps as to trade secrets, etc.
   3. when to pursue government protection
   4. trademark/servicemark procedures
   5. procedural steps to obtain government protection
      a. patent – process, business method, machine
      b. trademark
      c. copyright
   6. customized trade secret protection

F. protecting licensees against disappearance/financial problems of licensors
   1. need proper screening at inception, especially important today; need for client efforts to assess financial viability … much different from stock analysis to identify ‘hot’ stocks
   2. problems from disappearance
      a) absence of support
      b) possible rejection in bankruptcy as an “executory contract”
      c) limitations on value of “strong” contract; need for proper counseling
   3. role of source code or formula escrow
4. implications of Sec. 365(n) of bankruptcy code; exception for trademarks
5. limitations of 365(n) and alternatives

IV. M&A – both sides
1. due diligence - identify and catalog pertinent types from major categories
   a) direct ownership
   b) license
2. consult with client to determine which specific items are pertinent to business operation
3. need for substantive review of IP by pertinent experts – engineers, marketers, etc. - to determine business value and sustainability or potential infringement, as well as procedural review
4. under applicable law, absent express contractual statement ... is there a “transfer” or “assignment”? Presumption of non-assignability.
   a) asset sales
   b) stock sales; change of control provisions
   c) merger; forward vs reverse
   d) patent/copyright vs trademark
   e) exclusive vs non-exclusive
   f) possible relevance of qualitative factors
5. scrutinize documentation for transferability giving effect to form of transaction
6. draft and negotiate warranties identifying items at issue (purchase/merger/joint venture agreement schedules) and their sufficiency for the business
7. draft and negotiate non-infringement warranties and indemnities; variable scope of infringement indemnity
8. test trade secret practices
9. effect transfer in accordance with legal requirements, where applicable – e.g. patents and trademarks
   a) stock sale vs asset sale vs merger
   b) PTO suggested form
   c) Notice to government
10. address in-process items; post-closing assistance – patent prosecution and ownership, litigation assistance

V. Trade regulation
1. business to business: FTC guidelines to bolster competition
2. changing judicial perspective of IP as a monopoly and of trade regulation in general: Independent Ink and Actavis cases
3. consumer level considerations; privacy/internet tracking and identity theft prevention, post-Target
   a) vastly increasing significance in light of recent data breaches
   b) actual authority; FTC settlements, letters and Rules
   c) special rules for banking
   d) state laws
   e) pending Federal legislation

VI. Compliance Counseling
A. SOX makes this important for every business lawyer: alleged patent troll controversies, data security, privacy and external exposure

B. Changing business models, technologies and industry structures place a premium on new infringement theories, such as secondary infringement and Congressional response (Digital Millennium Copyright Act and successors to Stop Online Piracy Act)

C. Copyright fair use defense criteria

D. Need for consideration of both contract and statutory theories; convergence of copyright and contract law

E. Counseling employees, employers regarding trade secret matters: law and practice

F. Non-traditional sources of authority for information security and privacy

G. Initiating and responding to challenges
   1. employment/unfair competition
   2. patent/TM/CR infringement – cease and desist letters and responses; growing importance of remedies and 3rd party involvement
   3. license dispute – applicability of UCC?
      a) contractual limitations
      b) fraud in the inducement
      c) compliance with warranties
      d) payment of royalties
      e) compliance with usage limitations and confidentiality requirements
      f) copyright analysis vs contract analysis; technical devices to address legal limits
   4. general obligation to police for all types of IP

H. preventative lawyering – interpretation of documents; applying documents to changing corporate circumstances

I. trade secret preservation; Uniform Act; compare to patent standard
   1. maintain secrecy of whole – physical and electronic
   2. establish economic value
   3. manage disclosures
   4. remedy issues

J. impact of technological change – e.g. e-mail, USB keys, wireless devices, etc.; Computer Fraud and Abuse Act

K. mandatory purging/control of personally identifiable information

L. role of indemnification provisions in allocating risk of infringement claims
1) Microsoft PowerPoint slide prepared by instructor

2) Forthcoming article prepared by instructor to appear in *Illinois Bar Journal*: “Patent, Trade Secret or Both?”

3) *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (Case No. 04-1350 April 30, 2007)

4) *Vernor v. Autodesk Inc.*, No. 09-35969 (9th Cir. 2010)


7) Excerpts from employment contract


9) Sample mutual non-disclosure (confidentiality) agreement

10) *Joyce v. Armstrong Teasdale LLP*, (8th Cir. 2011 No. 10-1362)


12) Sample software license agreements – negotiated

13) Sample patent license agreement


15) 11 U.S.C. 365(n) (Bankruptcy Code, Sec. 365(n))

16) *In re Catapult Entertainment, Inc.*, 165 F.3rd 747 (9th Cir. 1999)


19) FTC Complaint against Wyndham Hotels, Inc.

20) Illinois Trade Secrets Act, 765 ILCS 1065/1-10
21) Minnesota Mining and Manufacturing Company v. Pribyl, 259 F.3rd 587 (7th Cir. 2001)

22) Mattel, Inc. v. MGA Entertainment, Inc., (9th Cir. 2010 No. 09-55673)

23) Computer Fraud and Abuse Act, 18 U.S.C. Sec. 1030


25) MGM v. Grokster, 545 U.S. 913; 125 S.Ct. 2764 (2005) [concurrence omitted]

26) American Broadcasting Cos., Inc. v. Aereo, Inc. 573 U.S. ___ (2014) [dissent omitted]

27) Viacom v. YouTube, 676 F.3rd 19; (2nd Cir. 2012; appeal of ruling granting defendants’ motion for summary judgment)


29) Jacobsen v. Katzer, 535 F.3rd 1373 (Fed. Cir. 2008) and remand opinion

30) Correspondence pertaining to alleged patent and service mark infringement

31) Wall Data Inc v. Los Angeles County Sheriff’s Dept., 447 F.3rd 769 (9th Cir. 2006)


33) Sample contractual indemnification provisions