

Intellectual Property

Massachusetts Export Center

Evening Export School

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Overview

- Obtaining IP Protection
 - Patents
 - Copyrights
 - Trademarks
 - Domain Names
 - Trade Secrets
- IP Enforcement and Infringement
 - Enforcing rights
 - Defending a claim of infringement
- E-Commerce Issues

Obtaining International IP Protection

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What is Protected?

- Patents: inventions and designs
- Copyrights: works of authorship (including software)
- Trademarks: brands, names
- Domain Name: specific Internet addresses
- Trade Secrets: confidential information

Patents: National Scope

- Applications must be filed in every country where protection is desired
- Patent Cooperation Treaty (PCT)
 - 100+ signatory countries
 - Application can be filed with U.S. PTO for up to 1 year after filing of US application
 - Preserves U.S. priority date for foreign filings
 - Foreign filing decision must be made w/in 30 months
- European Patent Convention
 - If filed w/in 1 year after U.S. application, U.S. priority date is used
 - Results in issuance of European Patent, valid throughout EU + Switzerland and Liechtenstein

Patents: International Differences

- Many countries do not allow patenting of as many "inventions" as the U.S.
 - Business Methods
 - Software
- **On-Sale/Publication Bar**
 - U.S.: 1 year "grace" period after patented article goes on sale or is disclosed
 - Foreign: **NO** grace period. Any publication, disclosure or sale destroys ability to file.

Patents: Deciding whether to File Abroad

- Foreign translation often required
- Foreign counsel/agent must be involved
- Pendency of Applications can be long
- Costs (UT Medical Center estimate)
 - PCT filing: \$7,000
 - Foreign prosecution: \$4,000 to \$15,000 (highest for Asian languages)
 - European Application: \$14,000
 - Maintenance and renewal fees
- Cost-sharing with distributors may be possible for local protection

Copyright

- Berne Union for the Protection of Literary and Artistic Property (U.S. entered in 1989)
 - 122+ member countries
 - Establishes protected works (writings, lectures, dramatic, choreography, music, art, translations)
 - Establishes moral rights
 - Automatic, national recognition of copyrights of works published in any member country
 - No formal requirements/registration
- WIPO Copyright Treaty (in effect 2002)
 - Special agreement within the Berne Convention
 - Clarifies protection of computer software, compilations of data, digital works

Trademarks

- National protection
 - No major international treaty
 - Community Trademark covers EU countries
 - Otherwise, national filings must be made
- In most countries, owner is first to register! Pick your markets and register early.
- Trademark term
 - Can be indefinite,
 - renewals must be made periodically (usually every 10 years)
 - Some countries (including the US) require proof of use
- Cost: less than patents, but country-by-country filings + renewals can become expensive

Trademark Licensing Issues

- Quality standards for products and services
- Monitor and review advertising and reproduction of mark
- Do not let your distributors register your trademarks for you!

Domain Names

- Domain names identify Internet addresses
 - All are accessible worldwide
- Types of domain names
 - Generic (.com, .net, .org, .biz, .info, etc.)
 - Country Code (.ca, .jp, .co.uk, .com.mx, etc.)
- Registration
 - Usually inexpensive (\$35/year)
 - Renewal every year
 - First to register is the rule, but TM and name owners have recourse (ICANN UDRP, national law)
 - Special registration rules in many countries

Trade Secrets

- No formal system of registration
- General requirements
 - Commercially valuable information
 - Not in the public domain
 - Subject to reasonable efforts to maintain secrecy
 - Security precautions
 - Non-disclosure agreements (employees, contractors, prospects)
- International Treaty Recognition
 - GATT, NAFTA
 - Require member countries to provide adequate laws and remedies for trade secret violation

How Much Protection do you Need (can you afford)?

- Patents
 - Expensive
 - Country-by-country
 - PCT application preserves rights
 - European Patent covers 20 countries
- Copyrights
 - Minimal expense
 - Wide recognition
- Trademarks
 - Moderate expense
 - Country-by-country
 - Community Mark for Europe
- Domain Names
 - Inexpensive
 - Protective registrations
- Trade Secrets
 - No expense

Enforcement and Infringement

Types of IP Infringement

- **Piracy**
 - Straight copies of media, content, software
- **Too-similar products**
 - patent infringement
 - copyright infringement (for software)
 - Trade secret theft (industrial espionage; employees)
- **Brand theft**
 - Same or confusingly similar marks used on competitive products or services
- **Gray Market Imports**
- **Name warehousing**
 - Pre-emptive Trademark or Domain name registration

Enforcing IP Rights

- Identifying an infringer
 - Market activity (press, advertising, word on the street)
 - Information from channels/employees
 - Independent investigation
- Enforcement steps
 - Assessment of harm, strength of claim, cost
 - Demand letter(s) and negotiation
 - Arbitration (if available)
 - Litigation in the local courts

Weighing Pros and Cons of Enforcement

- Benefits of Winning
 - Monetary damages
 - Clearing the market for your products
 - Harm to a competitor
 - "Policing" of trademarks
- Costs of Enforcing
 - Risk of invalidation of patents, other counterclaims
 - Expense of local counsel, experts
 - Significant time commitment by management, technical staff

Help with Enforcement

- Shifting costs to Distributors
 - It may be possible to require Distributors to enforce your IP rights in their territory
- Industry Watchdogs/Trade Associations
 - Business Software Alliance (BSA)
 - MPAA, RIAA
- Infringement enforcement insurance
 - Still a new product

Infringement Claims: the Receiving End

- Can you minimize the risk of being sued for infringement?
 - How valuable are patent/trademark searches?
- What if your distributor or customer is sued?
 - Indemnification and defense obligations
 - Terminating activities in the territory

Some International E-Commerce Issues

EU E-Commerce Taxation

- New E.U. Value Added Tax (“VAT”) Directive and Regulation – To apply from July 1, 2003 to digitally delivered products sold in the E.U.
- Applicable if:
 - (1) sales are to a customer which is not registered for VAT
 - (2) supplier’s annual sales in the E.U. are over €100,000
- Supplier requirements:
 - register with a VAT authority in any one member state and
 - apply the VAT rate applicable in the country where the customer is resident.
- Member states to provide a simple electronic means for; registration, processing VAT returns and verification of customer status.

EU Consumer Protection Directives

- Distance Selling
 - Specific Information requirements
 - 7-day right of withdrawal
 - 30-days to fulfill contract
 - Consumers may sue in their home country
- Sale of Consumer Goods
 - Mandatory warranty: 2 years for consumer transactions;
 - Germany: 1 year for business transactions

Data Privacy and Protection

- Treatment of individual data obtained from customers
- EU Data Protection Directive
 - Prohibits the transfer of personal data from EU countries to any countries which do not have “adequate” data protection laws
 - A "Safe Harbor" has been negotiated with the U.S.
 - Moratorium on EU enforcement against U.S. companies?
 - Model contractual provisions were recently approved by the EU, as a substitute for Safe Harbor compliance
- Other countries are following the EU lead, creating perhaps an international standard that the U.S. (or U.S. companies) will ultimately be required to follow

Shrinkwrap and Clickwrap Agreements

- “Shrinkwrap” agreements for software and data licensing were validated in *Pro CD v. Zeidenberg* (1996) provided
 - their terms are “commercially reasonable” and not otherwise unconscionable or subject to any other defense available under contract law
 - user has right to reject terms upon opening package and to receive a full refund
- Clickwrap agreements may evidence more assent than shrinkwrap

International Enforceability of Clickwrap Agreements

- Translate terms into local language
- Comply with localization requirements
 - Spain: all packaging in Spanish
 - France: documentation and on-line help in French
- Variations in consumer warranty requirements
- European Union Software Directive
 - cannot block assignments of software
 - cannot prohibit reverse engineering

Questions?

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