

# ANNUAL REVIEW

# PATENTS & TRADEMARKS

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# UNITED STATES

**LYNDA CALDERONE**  
FLASTER GREENBERG

**Q** IN YOUR EXPERIENCE, ARE COMPANIES DOING ENOUGH TO MANAGE THEIR PATENTS AND TRADEMARKS EFFECTIVELY? WHAT KEY CONSIDERATIONS DO THEY NEED TO MAKE?

**CALDERONE:** The success of IP management can vary based on the size and resources of the owner. Smaller private companies without in-house counsel tend to have more difficulty, and may rely on research and marketing personnel to work with an independent law firm. The degree of integration of the IP counsel and the company figures heavily on sustainable success. Good results are generally achieved when the IP management team integrates the IP with the business strategy to achieve a good understanding of the business' needs. This strengthens an IP portfolio through active culling of old IP, it enables clear guidance on the investment value of new ideas and key trademark properties, and does so with knowledge of the competitive landscape. Companies need to focus on a reliable, proactive strategy for avoiding litigation and liability while positioning their own IP to withstand competition, minimise value loss from court or legislative decisions and maintain a good employee base in research and product development.

**Q** HAVE THERE BEEN ANY RECENT LEGISLATIVE OR REGULATORY DEVELOPMENTS IN THE US THAT WILL AFFECT PATENTS AND TRADEMARKS GOING FORWARD?

**CALDERONE:** Congress just passed the Defend Trade Secrets Act of 2016. The Act will enhance the ability of IP owners to seek redress for trade secret theft and will provide a right of action in federal court. It expands upon the earlier Economic Espionage Act and also allows for injunctive relief in certain circumstances, seizure of trade secrets and monetary damages. Penalties for criminal violation are also expanded. The Act is a valuable tool for companies and does not pre-empt local state trade secret provisions. This Act will have a broad impact, including on employer/employee relationships, competitive enforcement and valuation. Companies will definitely want to look at their existing agreements concerning trade secrets, confidential information and IP ownership. This Act, the duty to disclose material information to the PTO, and the PTO ethics rules enacted a few years ago, will work together to pose new challenges on the secrecy front.



**Q** COULD YOU OUTLINE ANY HIGH-PROFILE COURT CASES THAT HAVE SURFACED IN THE US OVER THE LAST 12 MONTHS? WHAT IMPACT COULD THEY HAVE ON PATENTS AND TRADEMARKS?

**CALDERONE:** One of the most pivotal cases coming up to the US Supreme Court is a review of the Federal Circuit's decision in *Ariosa Diagnostics, Inc. vs. Sequenom, Inc.* That case found that a method for using a natural sample of foetal DNA taken from a maternal blood was not patent eligible subject matter, under 35 U.S.C. §101. The judges expressed concern that they had to rule as they did due to the Supreme Court's *Alice* and *Mayo* decisions. These latter two prior Supreme Court decisions have been relied upon to invalidate many US patents in Courts and at the PTO. This case law has caused a wave of concern in the biotech and software industries. Many companies and practitioners are urging either for Congress to intervene or the Supreme Court to back away from its prior sweeping decisions in this area. Thus, many are watching the outcome of *Ariosa*.

**Q** WHAT ADVICE WOULD YOU GIVE TO COMPANIES ON PATENT PROTECTION AND ENFORCEMENT? HOW IMPORTANT IS IT TO POLICE AND MONITOR IP RIGHTS IN TODAY'S GLOBAL MARKETPLACE?

**CALDERONE:** It is always important for companies to regularly monitor competitive IP, but to do so globally is not always easy. New search software for patents and trademarks simplifies this effort, but does not take the place of a company using good competitive vigilance both in the marketplace and online. Having local agents in countries where sales are highest can also be helpful to enable quick movement in the event of a competitive issue requiring immediate attention, such as requesting the seizure of goods by the ITC or an injunction in a District Court. Caution should be taken by companies relying on select software and personnel for these tasks. The wrong words spoken competitively can lead to litigation. Further, while there are many services with software choices having a high cost for monitoring, few perform commensurate to cost.



**“In agreements incorporating IP terms, disputes can best be avoided by using clear, consistent terminology for IP provisions.”**

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**Q** IN YOUR OPINION, SHOULD DUE DILIGENCE COVERING PATENTS AND TRADEMARKS FORM AN ESSENTIAL PART OF M&A TRANSACTIONS? WHAT ARE THE MAIN AREAS THAT ACQUIRERS NEED TO ADDRESS?

**CALDERONE:** Some minimal level of IP due diligence should be expected for any M&A transaction. The cost of investment is typically one that will tend to mirror the level of investment or the risk tolerance of the acquiring entity. Ownership issues should always be checked, as should the extent of the portfolio and one should seek answers to typical questions associated with the management of the IP. Care should be taken to assess clear red flags. When investing heavily or when IP is heavily weighted in the value of a company, deeper analysis of the strength of the marks in the marketplace and the quality of patents should be undertaken. Now that the federal trade secret bill has passed, a new level of scrutiny should occur in reviewing the protections and level of clarity for trade secrets when a company is being evaluated.

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**Q** ARE YOU SEEING ANY RECURRING THEMES IN DISPUTES ARISING FROM PATENTS AND TRADEMARKS? WHAT STEPS SHOULD COMPANIES TAKE AS SOON AS A DISPUTE SURFACES?

**CALDERONE:** Patent litigation is rising, as is the level of strategic complexity stemming from the interplay between US PTO AIA post-grant proceedings, such as *inter partes* review and re-examination, and District Court filings. It is still early in the aftermath of AIA, but its impact is being felt. There are continued legal challenges to standards of review, whether and when to appeal and the estoppel effect of a decision in one forum against another. Courts are shaping the corresponding jurisprudence to clarify the complex legal matrix. It makes it more difficult for clients to weigh various options in competitive disputes. Once a dispute surfaces, a company must move to assess strategy and the merits quickly, both to determine the nature and scope of damages, get a general feel for the evidence required and to have counsel involved up front in providing various enforcement or defence strategies for Court or the PTO.

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**Q WHAT ADVICE WOULD YOU GIVE TO COMPANIES ON CONTRACTUAL ISSUES SURROUNDING PATENTS AND TRADEMARKS? WHAT KEY CLAUSES SHOULD BE INCLUDED IN CONTRACTS TO ACCOUNT FOR THE POSSIBILITY OF FUTURE DISPUTES ARISING FROM AN AGREEMENT?**

**CALDERONE:** In agreements incorporating IP terms, disputes can best be avoided by using clear, consistent terminology for IP provisions. Many agreements try to 'lump' past and future IP, types of IP and treatment of different forms of IP and ownership rights together, however different types of IP have different considerations. It generally helps to discuss ownership, term, rights and consideration conceptually through letters of intent or memos of understanding before parties embark on a complex agreement. Even in simpler, general form agreements, consistency from agreement to agreement aids in avoiding error. Periodic reviews of the language are also recommended in order to ensure it reflects current law and company policy. Disputes can also be minimised by providing ADR provisions, whether formal or informal and well defined provisions indicating scope, survival of IP rights and term limitations. For licences and assignment agreements, careful review should always focus on the scope of grant and a clear explanation of the consideration and responsibilities of the parties.



[www.flastergreenberg.com](http://www.flastergreenberg.com)

### **Lynda L. Calderone**

Shareholder  
 Flaster Greenberg PC  
 +1 (856) 382 2206  
[lynda.calderone@flastergreenberg.com](mailto:lynda.calderone@flastergreenberg.com)

Lynda L. Calderone is a founding shareholder and chair of the Intellectual Property Department at Flaster Greenberg PC where she practices intellectual property law, concentrating on US and foreign patent prosecution, portfolio management, IP litigation, due diligence and IP related agreements, opinions and analyses. She counsels inventors and businesses in development of proactive IP strategies, including conducting IP audits, maximising patent value and litigation avoidance. As an attorney with a degree in chemical engineering, her practice focuses on chemical and mechanical inventions in technology areas including polymers and composites, nanotechnology, consumer products, medical and semiconductor-related devices, and cosmetics.



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