



## Complex IP Issues and the C-Suite: How to Explain Them to the Boss

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## Overview

- IP 101
- IP Portfolio Concerns
- IP Litigation Concerns
- Most Misunderstood IP Concepts
- Merger and Acquisition Concerns
- Licensing/Joint Venture Concerns
- Employment Concerns
- Marketing Concerns
- Takeaways on How to Address IP with the C-Suite

# Intellectual Property 101 – What is a Patent?

- Set of exclusion rights
- Granted by the government
- For a limited period of time
- In a limited geographical area
- Does NOT give right to make/use/sell
- Only gives the right to stop others from making/using/selling
- No requirement to commercialize
- 3 types of patents – Utility, Design and Plant



# Intellectual Property 101 – What is a Trade Secret?

- A trade secret can be any business or technical information that:
  - Has economic value to the user,
  - Is not generally known by or available to the public,
  - Is subject to reasonable efforts to preserve its secrecy
- But no requirement of:
  - Novelty or originality
  - Disclosure or dedication to the public
  - Grant or registration by any agency of the government
- **Disclosure destroys the trade secret right**
- A trade secret will be protected from exploitation by those who either:
  - Obtain access through improper means, or
  - Misuse secrets gained through lawful access



# Intellectual Property 101 – What is a Trademark?

- A word, phrase, symbol, or design that identifies and distinguishes **the source of the goods** of one party from those of others.
- Types of marks:
  - Words, letters, numbers
  - Logos/design marks
  - Slogans
  - Colors (single or combinations)
  - Trade dress
  - Sound marks
  - Smell marks
  - Trade names and fictitious names
  - Domain names



The logo for Bausch Health, featuring the text "BAUSCH+Health" in a bold, black, sans-serif font, with a blue plus sign and the word "Health" in a blue, sans-serif font.

## Intellectual Property 101 – What is a Copyright?

- Original works of authorship fixed in any tangible medium of expression
- Protects the “writings” of “authors”
  - Reproduce
  - Perform
  - Distribute
  - Display
  - Prepare derivative works
  - Digitally transmit sound recordings
  - License others to do one or more of the above



## IP Portfolio Concerns

- Why don't we have a patent on this technology?
  - If you do not file for patents early, you may lose your protection
- Overall business objectives
  - Why don't we have IP protection in this geographic region?
    - File where you make/use/sell
  - What is the cost/benefit analysis in determining what to protect?
    - Spending money on good applications
      - **See** The Key to Powerful Patents for Cyber (and All) Companies
      - **See** What Makes Some Patents More Powerful Than Others? Finnegan's Two Secret Ingredients
      - **See** Patent Quality Makes a Difference
    - Determine when you should file for protection

# IP Portfolio Concerns

- Determining what to protect
  - Patent or trade secret
    - **See** Successful Companies Don't Just Patent Everything – They Make and Follow a Strategy
  - Disclosing to the public to prevent future IP concerns





# IP Litigation Concerns

- When does IP litigation concern the C-Suite?
  - Offensive and Defensive
- IP Litigation Remedies and Other Outcomes
  - Damages
    - Determining what a litigation is worth
    - Comparing investment versus risk
  - Injunctions
    - Just as powerful a deterrent
      - See ITC Basics: What Makes the ITC a Unique and Desirable Forum
      - See Why Medical Device Companies Should Make More Use of the ITC
  - Possible other outcomes
    - Patent invalidated
    - Attorney's fees
- Reporting
  - Internal/External
  - Financially
  - Public relations

## Most Misunderstood IP Concepts

- Scope of IP protection
  - IP allows you to exclude others
- Patents can be invalidated
  - Asserting patents puts them at risk
- Applications are not IP
  - Applying for IP does not immediately provide you with protection
- Patent protection in the claims, not specification
  - The claims define the scope of protection
- Freedom to Operate
  - You should consider third-party IP in your product development

## Mergers and Acquisition Concerns

- What are the key issues to inform the c-suite on?
  - Best and reasonable practices for due diligence
  - Interplay between IP and corporate diligence



## Licensing/Joint Venture Concerns

- Non-Disclosure Agreements
  - Duration and scope
  - Return or destruction of documents
- When to license IP?
  - Freedom to operate concerns
- License-Backs and field-based licenses
  - Define clearly the scope of rights
- Enforcement concerns/arrangement
  - Define specifically who will enforce IP rights
- Inventorship issues
  - *See* Avoiding Problems While Collaborating in the Medical Textile Industry

## Allocating New IP Rights in Agreement

- Specify who owns resulting IP
  - Whether rights are to be jointly owned
  - Who owns improvements or resulting know how
  - What rights each party has to license IP
- Specify rights/burdens during patent prosecution
  - Who has burden to file for patents, pay fees, etc.
  - Whether partners have right to review each other's patent applications
- Set out procedures for identifying and protecting trade secrets and other confidential information
- Provisions for possible inventorship disputes

## Carefully Define Improvements

- Many license agreements require transfer of “improvements”
  - Licensee grants back to licensor improvements made by licensee
  - Licensor adds to license improvements made or acquired by licensor
  - But many agreements fail to define “improvements”
- The word “improvements” has no specific meaning
  - Parties should carefully define “improvement”
    - Definition should identify what is improved —  
e.g., claimed invention or licensed product
  - Consider when improvement becomes subject to agreement
    - Conceived vs. reduced to practice

## Identify Owners of IP Created Through Agreement

- *Roquette Freres v. Solazyme* (D. Del. 2015)
  - 50/50 joint venture to develop microalgae nutritional products
  - JV agreement stated each party owns any “Improvements” to the IP that party had licensed to the JV
    - But JV agreement did not define “Improvements”
    - Parties disputed the definition of the term and who owned resulting IP
  - Court defined term based on parties’ license agreement
    - Roquette objected
- Solazyme was awarded:
  - All “Improvements” (all patent applications assigned to JV)
  - All know-how related to production of the JV’s products
  - All Roquette patent applications filed after November 3, 2010 relating to microalgal foods or nutritionals

## Additional Agreement Tips

- Define your partner (now and in the future)
  - Who are the parties to the agreement?
  - Who is licensed to practice the patents owned by one party?
  - Understand what a change for your partner means for your company
- Understand your scope of rights
  - What IP rights are covered and for how long
  - Consider identifying patents/trade secrets
  - What about know-how?



## Employment Concerns

- Employment agreements
  - Ensure your company owns IP generated during employment
  - Ensure employee will cooperate with IP filings
- Non-Disclosure agreements
  - Prevent employees from sharing confidential information
- Trade secret protection
  - Must make efforts to protect trade secret to gain benefit of protection
    - *See* Trade Secrets: Protecting Clean Energy Technology
- Respecting other's IP
  - Concerns of employees bringing IP from former employers
    - *See* Clean Your Room: Protecting Against Trade Secret Misappropriation Claims

## Marketing Concerns

- False advertising
  - May cause competitor to litigate
    - *See* Don't Let Intellectual Property Accidents Crash Your Social Media Marketing
- Claiming how a product may work too generally
  - May impact a patent infringement analysis
- Trademark clearances must be done early
  - Ensuring protection of your preferred trademark is available
    - *See* Don't Ignore Trademark Basics
- Patent marking
  - Provide constructive notice to infringers
    - *See* Virtual Marking: A Flexible Option for Pharmaceuticals

## Takeaways on How to Address IP with C-Suite

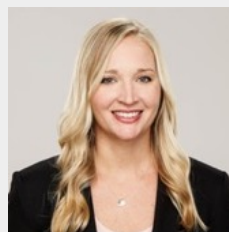
- IP does not just involve litigation and prosecution, but other areas
- When making strategic business decisions on IP, expectations and directions should be clear and continually revisited
  - Continuously update c-suite of progress and status of IP
  - Revisit investments to determine where you should continue to invest, and where to abandon
- Final M&A diligence meetings should include IP counsel to address potential risks

# Questions?

## Your Presenters



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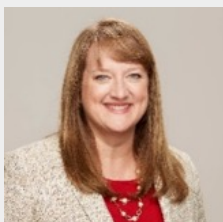


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