

# United States

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## OVERVIEW OF MAIN IPRS

1. Please give a brief overview of the main IPRs in your jurisdiction, including how they are protected (whether through registration or otherwise). Consider:

- Patents.
- Trade marks.
- Copyright.
- Design rights.
- Confidential information.
- Any other main IPRs that apply in your jurisdiction.

### Patents

There are three types of patents:

- **Utility patents.** These patents can be granted for an invention that includes any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement of those. The term of a utility patent varies:
  - if filed on or after 8 June 1995, 20 years from filing of the earliest non-provisional US application to which priority is claimed;
  - if pending or in force before 8 June 1995, the longer of 17 years from issue date or 20 years from filing of the earliest non-provisional US application to which priority is claimed.
- **Plant patents.** A plant patent can be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated spores, mutants, hybrids and newly found seedlings, other than a tuber-propagated plant or a plant found in an uncultivated state. The term of a plant patent is the same as for a utility patent (*see above*).
- **Design patents.** Design patents can be granted for new, original and ornamental designs for an article of manufacture. The term of a design patent is 14 years from issue date.

The United States Patent and Trademark Office (USPTO) is responsible for examining patents applications and granting patents.

### Trade marks

A trade mark can comprise a:

- Word.
- Name.
- Symbol.
- Device.
- Combination of these, including trade dress (for example, a product's shape).

Protection begins once the mark is used in commerce. Trade mark rights are protectable both when registered and unregistered, and under federal and state statutory regimes, as well as common law.

The USPTO issues federal trade mark registrations. Federal protection lasts for ten-year terms that are perpetually renewable, provided there is continuous use (or excusable non-use) in commerce and the mark has not become generic.

Federal registration is on the Principal or Supplemental Register:

- To qualify for registration on the Principal Register, a mark must be distinctive and used in commerce. This registration is *prima facie* evidence of validity, right to use and ownership of the mark. After five years on the Principal Register, a mark may be eligible for "incontestable" status, which is conclusive evidence of validity and ownership of the mark.
- A mark not yet established as distinctive can be registered on the Supplemental Register. This registration does not give additional rights to the holder beyond those provided by common law. However, it may:
  - serve as notice of the owner's claim of right;
  - deter others from using the mark;
  - provide a basis for rejecting applications to register confusingly similar marks and for registration in foreign jurisdictions.

The ® symbol is used to notify others of the ownership of a federally registered mark. The TM and SM symbols are used to designate unregistered marks.

### Copyright

US copyright law is designed to protect authors' rights and encourage creativity. Copyright protection is available for:

- Literary works.
- Visual arts (pictorial, graphic, and sculptural and architectural).

- Performing arts (musical, dramatic works, pantomimes, choreographic works, motion pictures and audio visual works).
- Sound recordings.

Copyright generally vests in the author of the creative work, and starts at the moment of creation when a work is fixed in a tangible medium of expression. Copyright protection is available regardless of whether the work has been published. The exclusive rights provided by copyright are to:

- Reproduce the work.
- Prepare derivative works based on the work.
- Distribute copies of the work by sale, lease, rental, lending or transfer.
- Perform the work publicly.
- Display the copyrighted work publicly.

The duration of copyright protection depends on the date of creation and the author:

- Works created after 1 January 1978 are protected for the life of the longest living author plus an additional 70 years.
- Works created by a corporation, such as a work for hire, under a pseudonym or anonymously, are protected for the lesser of 120 years from creation or 95 years from publication.
- Unpublished and uncopyrighted works created before 1 January 1978 are protected for the lesser of 120 years from creation or 95 years from publication. In addition, these works (*Copyright Act 1976*):
  - did not expire before 31 December 2002; and
  - if they were published by 31 December 2002, receive protection until at least 31 December 2047.
- Works created, registered, or published before 1 January 1978 potentially have 95 years of copyright protection.

Works in the public domain include works:

- Published before 1923.
- Published before 1978 and without notice.
- Published before 1 March 1989 without notice and without subsequent registration.
- Published between 1923 and 1963 with notice but for which the copyright was not renewed.

Copyright owners can register their work with the US Copyright Office. Authors can register online at [www.copyright.gov](http://www.copyright.gov). Registration is not required for protection, but is required for US authors to bring suit in the US federal courts. Federal registration is *prima facie* evidence of originality and ownership.

### Trade secrets

A trade secret is any formula, pattern, device, or compilation of information:

- Which is used in business and gives the owner an opportunity to obtain an advantage over competitors who do not know or use it.

- For which the owner takes substantial steps to maintain its secrecy.

Trade secret protection varies from state to state, but most US courts consider the following six factors to determine if the information constitutes a trade secret:

- Measures taken to guard the secrecy of the information.
- The extent to which the information is known by the claimant's employees.
- Value of the information to the claimant and the claimant's competitors.
- Extent to which the information is known outside the claimant's business.
- The amount of effort or money spent by the claimant in developing the information.
- Ease with which the information could be acquired by others.

The materials that are generally protected by trade secret are:

- Consumer lists.
- Formulas.
- Industrial processes.
- Manufacturing processes.
- Document tracking processes.

Trade secrets, if maintained in secret, are perpetual. Businesses maintain trade secrets through contractual provisions (non-disclosure agreements and restrictive covenants) and limiting the number of people with access to the secret (keeping the trade secret under lock and key or password protection). Disclosure to a party who is not obliged to protect the confidentiality ends the owner's right in the trade secret.

For further information about the main IPRs, see *Main IPRs: United States*.

## MAINTAINING IPRs

### 2. What facilities are available to conduct IP searches and obtain IP information on registered IP rights, for example to search:

- **Before an application to register an IPR.**
- **After registration to maintain IPRs and monitor possible infringement?**

### Patents

The USPTO website provides the following publicly searchable online databases containing patent and patent application information:

- Patent Full-Text and Image database (PATFT), which includes the full text of patents since 1976 and images of patents since 1790.

- Patent Application Full-Text and Image database (AppFT), which includes patent applications published since March 2001. (Most patent applications are published no later than 18 months from the earliest filing date to which priority is claimed; design patent applications are maintained as secret until granted.)
- Patent Application Information Retrieval database (PAIR), which provides the user with patent and patent application prosecution history data.

Another source of information on patents and applications is the *Official Gazette of the USPTO for Patents (Patent OG)*, which is published electronically every Tuesday. The *Patent OG* contains a list of:

- That week's issued patents.
- Patents abandoned for failure to pay maintenance fees.
- Reinstated patents.
- Reissued applications and re-examination requests.
- Certificates of correction.

### Trade marks

The USPTO website provides the following publicly searchable online databases containing registered trade mark and trade mark application information:

- Trademark Electronic Search System (TESS), which contains records of active and inactive trade mark registrations and applications.
- Trademark Document Retrieval (TDR), which includes the electronic file wrappers of most pending trade mark applications, as well as many registrations.
- Trademark Applications and Registration Retrieval (TARR), which provides information regarding the status of pending and registered trade marks.
- Trademark Trial and Appeal Board Inquiry System (TTAB-VUE), which allows access to opposition and cancellation proceeding files.

Another source of information on US registered trade marks and applications is the *Official Gazette for Trademarks (Trademark OG)*, which is published every Tuesday and contains information and drawings for each mark published that week, plus a list of cancelled and renewed registrations. The most recent 52 issues are available online ([www.uspto.gov/news/og/trademark\\_og/index.jsp](http://www.uspto.gov/news/og/trademark_og/index.jsp)).

Although the USPTO databases are key resources for trade mark searching, they do not include state registrations or common law marks and are therefore incomplete. For additional information, it is necessary to consult other databases. Professional firms are routinely hired to handle comprehensive trade mark searches that include federal and state registrations, as well as common law marks.

### Copyright

The US Copyright Office website provides a publicly searchable online database of works registered after 1 January 1978.

Records before 1 January 1978, registered assignments, correspondence and deposits can be accessed at the US Copyright Office. Searching for assignments and registrations is free, but there is a fee for inspecting correspondence or deposits. On request and for a fee, the US Copyright Office can conduct a search of registered works, assignments and other documentation affecting ownership and issue a report.

Notably (and as with trade marks), a search in the US Copyright Office shows only copyrights that have been registered in the US and does not include unregistered copyrights or copyrights that have been registered/created abroad.

### 3. What steps must a business take to maintain the registration and status of its main IPRs (for example, registration renewal, using an IPR in a certain time period, and avoiding misuse of the IPR)?

#### Patents

There is no requirement that a patent owner use, license, or otherwise commercialise the patented invention to maintain the patent. However, for utility patents maintenance fees must be paid 3.5, 7.5 and 11.5 years from issue. Failure to pay maintenance fees results in the abandonment of the patent. Grace periods on payment of a surcharge as well as procedures for reinstatement of unintentionally abandoned patents are available.

#### Trade marks

Rights in a trade mark can last indefinitely, provided the owner:

- Makes continuous use of it in commerce.
- Ensures proper control over its licensing and assignment.
- Takes appropriate measures to ensure it does not become generic.

For federally registered marks, the initial registration period is ten years, renewable indefinitely every ten years subject to appropriate filings and maintained commercial use. During the sixth year after registration, the owner must file an affidavit or declaration of use (or excusable non-use) in commerce together with a specimen of the mark. The owner of a mark registered on the Principal Register can also file a statement of incontestability within a year after the trade mark has been in continuous use in commerce for a five-year period and is not being challenged. If the mark is deemed incontestable, statutory presumptions of validity, ownership and right to use in commerce apply.

#### Copyright

No specific requirements apply to maintain registration of works created and registered after 1 January 1978 or for which a registration was in force as of that date. As of 1 March 1989, publication with notice became optional. For works created and registered before 1964, the owner must have renewed the registration on expiry of the first 28-year term to ensure continued protection.

#### Trade secrets

The owner must take appropriate steps to maintain the secrecy of a trade secret to ensure continued protection.

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#### 4. What steps can a business take to avoid committing an infringement of a main IPR and to monitor whether a competitor is infringing its IPRs?

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Business owners should perform the reasonable due diligence required to protect their IPRs and avoid claims of infringement, including routinely conducting IPR searches and staying up-to-date about industry developments.

### EXPLOITING IPRS

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#### 5. What are the main steps in an IP audit in your jurisdiction to determine the content of an IP portfolio?

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An IP audit is an assessment of the extent and legal status of a company's IP portfolio, and may be required and undertaken for various reasons. For example, an organisation may be:

- Undergoing a significant corporate change (for example, a merger).
- Initiating a new licensing programme.
- Changing its IP management.

An IP portfolio assessment may have a different focus. However, regardless of the ultimate purpose, IP audits generally include:

- As a first step, the identification of IP assets (patents, trade marks, copyrights, designs, trade secrets and other know-how, and any licences or unregistered rights).
- As a second step, the identification of any problems with the IP portfolio.

Therefore, the audit generally includes an analysis of the IP portfolio to ensure that the organisation, among other things:

- Has title or valid licence to the identified IPRs.
- Has paid maintenance fees and applied for renewals where necessary.
- Has taken appropriate measures to maintain trade secrets.
- Has the IPRs necessary to run its business.

This analysis typically involves a review of the chain of title from the creation of each IPR, employee agreement, licence and so on. Depending on the reason for the audit, the nature of the business, and the relative importance of the IPRs to the business or transaction, an audit may include further steps, for example:

- Assessing whether additional rights should be acquired or applied for.
- Assessing the scope and market value of the IPRs.
- Identifying additional licensing opportunities or areas for IPR development.
- Assessing the validity and enforceability of certain IPRs or the organisation's freedom to operate in a particular area.

### ASSIGNMENT

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#### 6. How can main IPRs be assigned (for example, in whole or part, with or without goodwill (in the case of trade marks), in relation to future rights, and with jurisdictional restrictions)?

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IPRs are generally treated as personal property and can be assigned in whole or in part (that is, all or a percentage of the ownership interest can be transferred). Assignment of a part interest should be approached with caution because it generally results in joint ownership. Subject to any contractual provisions between joint owners defining the extent of their rights and obligations to each other, each of the owners can exploit the IPRs without regard to the other owners.

#### Patents

A patent or patent application can be assigned in whole or in part. An assignment must include transfer of the entire bundle of rights associated with the ownership interest. Rights to seek patent protection on an invention or rights to a future invention may also be assigned.

#### Trade marks

A registered or unregistered trade mark or an application to register a trade mark can be assigned in whole or in part, provided the goodwill associated with and symbolised by the mark is concurrently assigned. An assignment without goodwill is considered "in gross" and does not transfer any legal rights to the assignee. Further, this assignment may destroy the mark.

An intent-to-use application can only be assigned after the applicant has filed a verified statement of use or an amendment to allege use, except where the assignment is to a successor to the applicant's business (if that business is ongoing and existing).

Rights to seek registration of a trade mark can also be assigned.

#### Copyright

The exclusive rights provided by copyright are a bundle of rights. Any or all of those rights or a subdivision of them can be assigned in whole or in part. Rights to apply for a copyright registration and future copyrights can also be assigned. It is good practice to execute a confirmatory assignment following creation of future copyrights.

#### Trade secrets

Trade secrets can be assigned in whole or in part. After the transfer, the original owner must forfeit possession of the right and will be enjoined from:

- Continuing to use the trade secret.
- Making it available to others.
- Selling it to a second bona fide purchaser.

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#### 7. What formalities are required to assign each of the main IPRs (for example, in writing, signed by both parties and registration)?

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#### Patents

A patent assignment:

- Must be in writing.

- Should identify the patent or application being transferred with sufficient specificity.
- Should be executed by the assignor, preferably before a notary.

The assignment should be recorded with the USPTO, which provides prima facie evidence of the execution of the assignment and protects the bona fide assignee against earlier unrecorded purchases and subsequent assignments to others. An assignment is void against any subsequent bona fide purchaser, unless recorded in the USPTO within three months after the date of the assignment or before the date of the subsequent purchase or mortgage. For a patent to issue to an assignee, the assignment of the application must be recorded before the issue fee is paid.

### Trade marks

Generally, a trade mark assignment:

- Must be in writing.
- Should identify the trade mark being transferred with sufficient specificity.
- Should be executed by the assignor, preferably before a notary.

It is good practice to record assignments or registered trade marks or pending applications with the USPTO for the same reasons as with patents (*see above, Patents*).

### Copyright

A copyright assignment:

- Must be in writing.
- Should identify the rights being transferred with sufficient specificity.
- Should be executed by the assignor, preferably before a notary.

As with assignments of patents and trade marks, the assignment should be recorded with the US Copyright Office. This provides prima facie evidence of execution and protects the bona fide assignee against earlier unrecorded purchases and subsequent assignments to others. A copyright assignment is ineffective against a subsequently recorded assignment to a bona fide purchaser, unless it is recorded in one of the following ways:

- Within one month after its execution in the US.
- Within two months after its execution abroad.
- Before the date of recordation of the subsequent purchase.

Registration of the copyright with the US Copyright Office is a prerequisite to recordation of an assignment with the US Copyright Office.

### Trade secrets

Considering the uncertain character of trade secrets, an assignee should insist on a written assignment. Written assignments can help define the boundaries of the rights received and the underlying trade secret.

## 8. What main terms should be included in an assignment of IPRs?

The main terms in an assignment of IPRs are as follows:

- Identification of the parties.
- Definitions of terms in the assignment.
- Specific identification of the assigned IPRs (for example, registration or application numbers, dates, inventor names, invention title, mark, representation of any unregistered marks or identification of material containing trade secret), including the rights to file for protection in foreign jurisdictions or additional registrations and applications.
- Consideration.
- For a trade mark assignment, a statement that the assignee has the right to carry on the business associated with the use of the mark.
- A specific statement that the assignee has the right to sue for damages or other remedy for any infringement of the assigned IPRs, including any infringement which occurred before the assignment.
- Warranties by the assignor that, to its knowledge:
  - the assignee's use of the IPRs will not infringe any third party rights;
  - the assignor is the sole owner and has not licensed or assigned any rights in the IPRs; and
  - the assignor will co-operate with the assignee to ensure the assignee can reap the full benefits of the agreement, such as providing documents necessary for recordation and assisting in the prosecution and enforcement of the IPRs where necessary.
- Governing law and jurisdiction.

## LICENSING

### 9. How can each of the main IPRs be licensed (for example, in whole or part, with or without goodwill (in the case of trade marks), and with jurisdictional restrictions)?

#### Patents

A patent owner can license to another all or a portion of, exclusively or non-exclusively, the rights associated with the patent.

#### Trade marks

A trade mark owner can license to another all or a portion of, exclusively or non-exclusively, the rights associated with the trade mark, provided the owner maintains control over the quality of any use of the licensed mark. Failure to maintain control results in a "naked licence", which may result in an inadvertent abandonment of trade mark rights.

#### Copyright

A copyright owner can license to another, exclusively or non-exclusively, any of its property rights in the protected work.

**Trade secrets**

A trade secret owner can exclusively or non-exclusively license all or a portion of its trade secret right, provided appropriate measures are taken to ensure secrecy.

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**10. What are the formalities to license each of the main IPRs (for example, is registration required)?**


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**Patents**

Patent licences must be in writing and should be executed by both parties. Recordation with the USPTO is optional, but advantageous. If maintaining the confidentiality of the licence contents is a concern, a notice of the licence agreement can be recorded instead.

**Trade marks**

Trade mark licences are typically in writing and executed by both parties. A valid trade mark licence must include quality control over the licensee's use of the mark.

**Copyright**

An exclusive licence of rights must be in writing and signed by the parties. A non-exclusive licence need not be in writing. Recordation of licences with the US Copyright Office is available and advantageous, though not required.

**Trade secrets**

There is no specific requirement that trade secret licences must be in writing. However, it is good practice to have written trade secret licensing agreements executed by both parties and clearly defining the grant and confidentiality requirements.

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**11. What main terms should be included in an IP licence?**


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The following main terms should be included:

- Identification of the parties.
- Definitions of terms in the licence.
- Specific identification of the licensed IPRs (registration or application number, associated date, name of the inventor, title of the invention and/or representation of any unregistered marks).
- The type (exclusive/non-exclusive) and term of the licence.
- The scope of the rights granted (for example, geographic area and technology).
- Royalty structure and other payments.
- Accounting mechanism.
- For trade marks, a statement that the licensee:
  - has the right to carry on the business associated with the use of the mark; and
  - will ensure quality.
- The parties' rights and obligations relating to enforcement.
- Warranties and indemnifications of the licensor or licensee.
- Whether the interest can be transferred/sub-licensed.
- Governing law and jurisdiction.

**TAKING SECURITY**


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**12. Is security commonly taken over IPRs? If yes, which types of IPRs are commonly secured? What problem areas commonly arise (for example, problems valuing the secured IPR assets, or when enforcing the security)?**


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Security interests can be taken over IPRs. Patents, trade marks and copyrights are commonly secured. However, creditors should ensure that both:

- The security interests are properly perfected.
- Any renewal and maintenance fee payments, necessary to keep the IPRs in force during the relevant period, are paid.

Considering an assignment of a trade mark is only valid if the goodwill of the business is transferred with it, the creditor should also obtain a security interest or lien on the related assets.

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**13. What are the main security interests taken over IPRs? How are they created (for example, in writing) and how are they perfected (that is, made enforceable against third parties, for example by registration)? Consider:**


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- Patents.
- Trade marks.
- Copyright.
- Design rights.

A security interest arises when consideration has been given for the interest and the borrower has signed a security agreement that sufficiently describes the security interest. State law regulates whether a security agreement has been entered into.

Perfection of a security interest in IPRs is complicated by the tension between the Uniform Commercial Code (UCC) and the federal IPR laws. Generally, security interests should be recorded under the UCC. In addition, security interests in patents and registered trade marks should be recorded with the USPTO, and security interests in copyrights should be recorded with the US Copyright Office. If a copyright is unregistered, it must be registered before recordation.

**M&A**


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**14. What IP-related due diligence is commonly carried out in:**


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- A share sale?
- An asset sale?

An appropriate level and focus of due diligence typically varies depending not only on whether the sale is a share or an asset transaction, but also on the nature of the transaction itself (for example, whether the company is a mature company or a start-up, or whether it is a technology company as opposed to a non-technology company). Due diligence aims at evaluating the target company's assets and liabilities to properly assess the transaction and structure it to make business sense.

In an asset transaction where the buyer purchases the assets of the target company directly, a complete list of the material IPRs and confirmation of their ownership by the target company is crucial. The assets are typically listed on schedules to the transaction documents that implement the transfer (for example, assignments).

In a share sale, the assets are transferred with the stock of the company, and therefore listing IPRs is not as important. However, due diligence is generally performed to the extent necessary to ensure that the material IPRs will, in fact, transfer (the material IPRs are generally identified and their ownership by the target company confirmed). Similarly, licences, which may be non-transferable, are often more carefully reviewed in an asset transfer than in a share transfer.

The level of due diligence is often more stringent for small or privately owned companies and start-ups, as they tend to be less sophisticated in the legal requirements for protecting IPRs and/or derive a greater portion of their value from the IPRs. For example, patent protection may be the most valuable asset of a start-up biotech or internet company, and therefore due diligence should not only focus on identifying and properly transferring all of the company's IPRs, but also on investigating the scope of the patent protection obtained or obtainable by the company.

Due diligence requests typically include:

- Schedule of all IPRs (for example, patents, patent applications, trade marks, trade mark applications, trade names, trade dress, computer software and internet domain names) owned by, or licensed to, the company.
- Description and information relating to trade secrets, know-how, data and other confidential information.
- Copies of documents and agreements relating to IPRs.
- Copies of documents or agreements relating to security interests, liens, or mortgages granted against IPRs.
- Description of the companies' product or services lines and identification of the related IPRs.
- Description of information relating to the computer software used to run the business.
- Documentation or information relating to any pending or potential IP disputes.

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**15. What IP-related warranties and/or indemnities are commonly given by the seller to the buyer in:**

- **A share sale?**
  - **An asset sale?**
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The commonly given warranties/indemnities include:

- Accuracy and completeness of the IPR listing.
- Status of the ownership of the IPRs.
- Validity and enforceability of the IPRs.
- Non-infringement of third party IPRs.
- Legal proceedings affecting the IPRs.

- Absence of limitations on the use of the IPRs.
- Status of the IPR agreements.
- Right to use IPRs necessary to run the business.
- Confidentiality measures taken to safeguard IPRs.

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**16. How are the main IPRs transferred in:**

- **A share sale?**
  - **An asset sale?**
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**Share sale**

In a share sale, the IPRs are transferred to the buyer with the stock of the company. Therefore, an assignment of each asset is not required.

**Asset sale**

In an asset sale, the buyer acquires the assets of the company directly and therefore the IPRs must be assigned.

Complexities may arise in both asset and share sales if, for example, parts of the business are carved out from the sale. In this case, when the sale is a share sale, the carved-out IPRs must be assigned or licensed back. When the sale is an asset sale, care must be taken to avoid including any carved-out IPRs in the assets to be transferred and to provide the proper licences, if they are required for the operation of the transferred business.

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**JOINT VENTURES**

**17. Is it common for companies to set up joint ventures in your jurisdiction to develop projects that heavily involve IPRs? If yes, please briefly outline the main IP-related provisions that should be included in the joint venture agreement.**

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Joint ventures are often set up to develop projects that involve IPRs. The agreement should include provisions regulating ownership, use and protection of IPRs.

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**COMPETITION LAW**

**18. Please briefly outline the main provisions of your national competition law that can affect the exploitation of the main IPRs.**

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In the US, federal and state anti-trust laws regulate anti-competitive behaviour and unfair business practices. The main federal anti-trust laws that affect the exploitation of IPRs are the:

- Sherman Act, which prohibits:
  - unreasonable restraints of trade;
  - monopolisation;
  - attempts to monopolise;
  - conspiracies to monopolise.
- Clayton Act, which deals with specific types of restraints, including tying arrangements and mergers or acquisitions where the effect may be to substantially decrease competition.

- Federal Trade Commission (FTC) Act, which created the FTC and empowers it to respond to new threats to competition. The Act is a catch-all enactment considered to both:
  - include all prohibitions of other anti-trust laws;
  - fill in the gaps in the anti-trust laws.

The US Department of Justice (DOJ) enforces the Sherman and Clayton Acts on behalf of the US. Private citizens and competitors who are injured by violation of those Acts can bring lawsuits for damages. The FTC enforces the FTC Act.

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**19. Please give brief practical examples of national competition law issues that can arise in the exploitation of the main IPRs (such as problematic licence terms) and briefly outline any possible solutions to manage them.**

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The enforcement of US competition law relating to IPRs is currently based on the recognition that these two bodies of law are complementary rather than conflicting and share the common goal of encouraging innovation, industry, competition and consumer welfare. As a result, the US anti-trust enforcement policy relating to the exploitation of IP rights is based on three principles:

- In the context of an anti-trust analysis, IP is essentially comparable to other forms of property.
- IP does not necessarily create market power in the anti-trust context.
- IP licensing is generally pro-competitive.

Therefore, whether a particular restraint is prohibited under the anti-trust laws is generally analysed under the rule of reason, which includes the following factors:

- Relationship between the parties.
- Whether the parties have market power.
- Whether the pro-competitive benefits outweigh the potential for harm to competition.

One important anti-trust issue that has arisen mainly in the context of litigation between branded and generic drug companies is the validity of certain patent settlements between branded and generic drug companies. This issue has been highly debated and the law is uncertain. It is therefore advisable for companies entering into these agreements to seek legal advice.

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**20. What exclusions or exemptions are available for national competition law issues involving the exploitation of the main IPRs (for example, are parallel exemptions available)?**

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Subject to extraordinary circumstances, the FTC and DOJ will not challenge a restraint in an IPR licensing agreement (a safety zone), provided both:

- The restraint is not, on the face of it, anti-competitive.
- The licensor and its licensees collectively account for no more than 20% of each relevant market significantly affected by the restraint.

The 1995 Antitrust Guidelines for the Licensing of Intellectual Property Guidelines state the agencies' enforcement policy relating to IPR licensing and the agencies offer additional guidance ([www.ftc.gov/bc/0558.pdf](http://www.ftc.gov/bc/0558.pdf)).

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## ADVERTISING

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**21. Please briefly outline the extent to which advertising laws impact on the use of third party trade marks.**

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Generally, a company can make fair use of another company's mark in advertising if the mark is used in good faith for its primary meaning and without the likelihood of consumer confusion or deception.

Nominative use is a type of fair use which permits the use of the third party's trade mark when necessary to identify or discuss another's product. The use must also comply with the laws relating to false advertising and unfair competition.

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## EMPLOYEES AND CONSULTANTS

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**22. Who owns each of the main IPRs created by an employee in the course of his employment? Is compensation payable in relation to employee IPRs? What main steps can an employer take to ensure it owns each of the main IPRs (for example, by including an assignment of IPRs clause in the employment contract)?**

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### Patents

Subject to contrary provisions in the employment agreement, company policies, or other express or implied agreements, the employee owns all rights in any patentable inventions (conceived or reduced to practice) and patent applications and patents relating to them made during his employment. However, under the "shop right doctrine", the employer may be entitled to an implied, non-exclusive, royalty-free licence to the invention if either:

- The invention was made during the employment.
- The employer's resources (that is, materials or equipment) were used to a significant extent in making the invention.

Provisions relating to the following should be included in the employment agreement:

- Ownership of inventions created during the course of employment.
- Confidentiality.
- Co-operation in obtaining patent protection.

### Trade marks

Ownership of a trade mark derives from using the mark in commerce in connection with the goods and services. If a mark created by an employee was first used to identify the employer's goods, the employer owns the mark. If a mark was first used in commerce to identify the employee's goods, the employee owns the mark. Businesses should structure their employment relationships accordingly.

### Copyright

If the work was prepared in the employee's scope of employment, the employer is considered the author of a work and owns all of the rights comprised in the copyright, subject to an express agreement to the contrary. The scope of employment should be defined in the employment agreement.

### Trade secrets

There are no federal laws regulating the ownership of trade secrets created by an employee in the course of employment. State common law, which is vague and varies by state, generally applies. Provisions relating to the ownership and secrecy should be included in the employment agreement.

### 23. Who owns each of the main IPRs created by an external consultant? What main steps can a business take to ensure it owns each of the main IPRs (for example, by negotiating an assignment of IPRs)?

#### Patents

Subject to contrary provisions, an external consultant owns any inventions it creates and any resulting patent applications or patent. A business should include provisions regarding ownership, confidentiality and co-operation in obtaining patent protection in the consulting agreement.

#### Trade marks

An external consultant is considered the owner if it first used the mark in the marketplace to identify its goods. A business should include provisions relating to ownership in the consulting agreement and/or structure the relationship in a way that minimises the risk of losing trade mark ownership.

#### Copyright

Subject to a contrary agreement, external consultants commissioned to create works are generally deemed the authors of the work, unless the work falls within one of the "work made for hire" categories under the US Copyright Act, that is:

- Contributions to collective works.
- Parts of a motion picture or audiovisual works.
- Translations.
- Supplementary works.
- Compilations.
- Instructional texts.
- Tests and answers for tests.
- Atlases.

A business should include provisions relating to ownership in the consulting agreement, unless the commissioned work is clearly deemed a work for hire.

#### Trade secrets

There are no federal laws regulating the ownership of trade secrets created by an external consultant. State common law, which

is vague and varies by state, generally applies. A business should include provisions in relation to the ownership and secrecy in the consulting agreement.

### TAX

#### 24. What are the main taxes payable by a licensor on the licensing of the main IPRs (for example, withholding tax on royalty payments)?

Taxes payable by a licensor depend on the following:

- The nature of the transaction.
- The source of the income.
- The applicable tax treaties.

One of the main US tax issues relating to IPR licensing is whether, for tax purposes, the transaction is a licence or a sale. This distinction determines whether the payments are considered ordinary royalty income or capital gains (which are usually granted more favourable tax treatment). Generally, a licence is considered a sale if "all substantial rights" are transferred. Therefore, an exclusive licence is often treated as a sale, with the proceeds subject to capital gains tax.

Another consideration relates to the source of income, which may affect the tax obligations of the licensor and licensee, particularly where the licensor is a foreign entity without a US business presence.

If the transaction is treated as a licence, the source of royalty income for tax purposes is where the IPRs are used. If the transaction is treated as a sale, the source of the capital gain is generally the seller's residence. A foreign entity without a US business presence is generally not subject to taxation on proceeds from a transaction that is treated as a sale for tax purposes. If the transaction is treated as a licence, the licensor is required to pay US taxes and the US licensee is subject to the tax withholding and reporting requirements.

#### 25. What are the main taxes payable by a seller on the disposal of the main IPRs?

Selling IPRs in the US is ordinarily subject to capital gains tax (see *Question 24*).

### CROSS-BORDER ISSUES

#### 26. What international IP treaties is your jurisdiction party to?

The US is party to the following:

- Paris Convention for the Protection of Industrial Property 1883 (Paris Convention).
- Berne Convention for the Protection of Literary and Artistic Works 1886 (Berne Convention).
- Madrid Agreement Concerning the International Registration of Marks 1891.

- Convention on Literary and Artistic Copyrights 1910.
- The Universal Copyright Convention 1952.
- International Convention for the Protection of New Varieties of Plants of 2 December 1961 (as modified 1991).
- Convention Establishing the World Intellectual Property Organization (WIPO) 1967.
- Patent Cooperation Treaty 1970 (as modified 2001) (PCT).
- Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms 1971.
- Strasbourg Agreement Concerning the International Patent Classification 1971.
- Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite 1974.
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure 1977.
- Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks 1989 (Madrid Protocol).
- Trademark Law Treaty 1994.
- North American Free Trade Agreement 1994.
- Trade Related Aspects of Intellectual Property Rights 1994.
- WIPO Copyright Treaty 1996.
- WIPO Performances and Phonograms Treaty 1996
- Patent Law Treaty 2000.
- Singapore Treaty on the Law of Trademarks 2006.

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**27. Are foreign IPRs recognised in your jurisdiction? Please briefly outline any relevant recognition or registration procedure for each of the main IPRs.**

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### Patents

As a party to the Paris Convention, the US recognises the foreign filing dates of applicants in other member countries, provided the US patent is applied for within one year of the foreign filing (six months for design patents). Similarly, as a party to the PCT, the US recognises the filing date of an international patent designating the US.

### Trade marks

As a member of the Paris Convention, the US recognises the foreign filing dates of applicants in other member countries, provided the US registration is applied for within six months of the foreign filing. A qualifying foreign applicant with foreign registration can obtain the US registration without showing the use of its mark in the US.

If the foreign applicant does not begin using its mark within three years of registration, the registration can be cancelled as abandoned. In addition, under the Madrid Protocol, a foreign trade mark owner need only file a single application designating the US. If granted, the effect of this filing is essentially the same as if the applicant had directly and successfully filed registration in each designated member state.

### Copyright

As the US is a member of the Berne Convention, foreign authors receive the same rights and protections under US copyright laws as the US authors. Foreign authors do not need to register their works with the US Copyright Office to have standing in the US courts. However, they will be denied certain ancillary remedies such as statutory damages and attorney's fees. In addition, foreign authors will not have the same protection of their moral rights in the US as they have in other countries because the US did not implement all of the specific provisions of the Berne Convention that applies the moral rights recognised in other countries.

### REFORM

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**28. Please briefly summarise any proposals for reform and state if they are likely to come into force and, if so, when.**

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The Patent Reform Act 2010 was proposed in March 2010. Some of the more significant revisions include:

- A first-to-file (rather than first-to-invent) system.
- Post-grant review proceedings in which patents can be challenged on all issues of patentability and within nine months of issue.
- A supplemental examination procedure allowing patentees to request the USPTO to consider any information they believe to be relevant to the patent (the USPTO must conclude the supplemental examination within three months and the examination may allow patent owners to cure past inequitable conduct).
- Limiting the consequences of the best mode requirement.

The Fashion Design Piracy Act was introduced in 2009 and is still pending in the US House of Representatives sub-committee. The Act would create a three-year term of protection for fashion designs.

Another version of the Performance Rights Act was proposed in 2009. It would expand protection for public performances of copyrighted sound recordings. For example, it would require traditional broadcasters to pay a statutory royalty to recording artists for the right to play their recordings. The bill has passed through Congressional committees and is awaiting consideration by the House of Representatives.

### CONTRIBUTOR DETAILS

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