Hamilton IP Law
Own the Market®
Quarterly Client Newsletter

Winter 2010-2011

Welcome to the Winter Edition of Own the Market®. We hope you had a Merry Christmas and Happy New Year! In this issue, we start off with a spotlight on one of the firm's most successful clients, Mike Wolfe, and how his success has benefitted the entire community. Next, we provide a summary of a recent case involving an employee's duty to assign inventions. Finally, we provide a brief overview of an aggressive strategy for proving your product doesn't infringe another's patent, and then point out some of the biggest differences between patents and trade secrets.

Intellectual Property in the Community

Stories about Local IP and its Impact in the Community

Client Spotlight-Mike Wolfe of *American Pickers* and Antique Archaeology®

In our previous editions of Own The Market®, we have featured various projects that we are actively involved with. In this edition, we would like to introduce a local client that is making news nationally — Mike Wolfe and his LeClaire, Iowa shop Antique Archaeology®. Hamilton IP Law has secured protection for this entrepreneur's trademark across his ever-expanding product and service line.

Mike and his partner Frank Fritz are in the business of picking — you may know it as "antiquing", "junking" or "dumpster diving" — but whatever you call it, make no mistake, these two are changing history — "The History Channel" that is, with their hit show "American Pickers". The two local stars are now working on their third successful season of the show.

For those of you who have not seen the show, the two stars spend their days traveling coast to coast scouring barns, storage sheds, basements and the like in search of obscure antiques that they can resell to collectors, historians, photographers, set designers and more. Antique Archeology — 115 ½ Davenport St., Le Claire, IA — is a two-story renovated fabrication shop and home base and retail space for the innovative entrepreneurs who have put a unique twist on antiquing.

Mike describes "picking" as an art. Pickers deliver hard-to-find artifacts to clients and antique shops. The team sifts through other people's belongings, through dirt and garbage in search for the unusual and impossible. If you have ever been to an antique store then you have probably seen the work of a "picker." As Mike describes it, "It's kind of like Indiana Jones meets Sanford & Son."

The duo, who has been friends for over 20 years, has been featured on The Late Show with David Letterman and ABC Nightline. The third season of their show airs on the History Channel Monday nights at 8:00 central time. Tune in to catch their latest hunts and their incredible finds! Click here to see their segment on Letterman.

IP Update

Important News and Information about Intellectual Property

Patent Ownership and Assignments

The Supreme Court has recently agreed to decide a case filed by Stanford University against Roche (the healthcare and pharmaceutical company). The case involves ownership of a patent for a method of measuring HIV concentration in blood plasma. The Stanford scientists developed this method using National Institute of Health funding with assistance from scientists working for Cetus, and Roche bought the rights from Cetus. Stanford offered to license the rights to Roche, but negotiations broke down and Stanford sued Roche for patent infringement. One of Stanford's defenses was that it owned rights to the patent, in which case it wouldn't be infringing.

Patent ownership can be a complex area of law because oftentimes state law and federal law are both relevant. A duty to assign patent rights often arises under an employment agreement, and contracts are creatures of state law. However, patent law is exclusive to federal courts, and grants of certain patent rights require specific language that the Court of Appeals for the Federal Circuit has developed in its case law.

In this case, one of the named inventors signed an agreement with Stanford in which he promised to assign any future inventions that emerged from his employment. Later he signed an agreement with Cetus in which he promised "to hereby assign" his interests in the relevant technology. In the world of patent law, these are two different contracts.

The Stanford contract required the inventor to execute a separate assignment when the invention was recognized. That is, his employment agreement with Stanford created a duty to assign future inventions, it was not an assignment of future inventions. By contrast, the Cetus contract was an assignment of future inventions created by the phrase "hereby assign." Accordingly, even though the Stanford contract predated the Cetus contract, Cetus could claim equitable title at the instant of invention-Stanford needed to obtain an assignment from the inventor. Furthermore, Cetus held legal title to the patent application at the moment of filing.

The inventor did later sign an assignment of the patent application to Stanford, but the trial court determined that assignment was meaningless. Since he had already assigned his rights in the invention to Cetus, he has nothing left to assign to Stanford. On appeal, Stanford claims that its receipt of federal funding for the research results in a superior claim to title of the patent.

Recordation of patent assignments with the Patent Office also sometimes decides ownership disputes-When two entities both claim ownership of a patent, the second entity in line may hold superior title if it was the first to record the assignment (35 U.S.C. § 261). However, this case would probably not have gone to trial had Stanford written its employment agreement to automatically transfer rights upon creation of the invention rather than a promise to transfer those rights in the future.

Profiting from IP

Declaratory Judgment Actions and Cease & Desist Letters- because sometimes the best offense is a good defense

Intellectual property rights create competitive marketplaces with litigious competitors. The average cost of patent litigation is in excess of $1 Million dollars and takes more than three years to resolve![1]

When a patent owner becomes aware of an infringer, the owner can wait to bring a suit for infringement while the monetary damages continuously accrue. A declaratory judgment action (DJA) is a way to resolve infringement issues when you are notified of potential infringement. A DJA is a way for a U.S. district court to allow "a party who is reasonably at legal risk because of an unresolved dispute, to obtain judicial resolution of that dispute without having to await the commencement of legal action by the other side." It allows an alleged infringer to "clear the air" with regard to infringement of a product or service. In most situations a letter from a patent holder is sufficient to allow the recipient to file a DJA to seek a declaration of non-infringement or invalidity of the patent. However, a "definitive and concrete" dispute must exist between two parties for a court to hear the issue.

Any business that receives a cease and desist letter should seriously consider its options. If there is a sincere concern about the potential for an infringement lawsuit, it is often prudent to evaluate your product(s) in light of your competitor's. If you think your competitor will file an infringement lawsuit now

or in the future, filing a DJA first gives you the 'home field advantage.' The first party to file a lawsuit can generally choose where the lawsuit will be heard. In addition to choosing your venue, a DJA also provides lower adjudication costs than a typical infringement lawsuit.

Take note however, that the benefits of a DJA cut both ways. If you write a cease & desist letter that creates a case or controversy that is "definitive and concrete" then you also run the risk of your competitor running to file a lawsuit on their 'turf'.

Whether your competitor has created an actual controversy worth pursuing via a DJA is a legal question that usually requires a legal opinion. If a patent is involved, it is often wise to use a patent attorney. Alternatively, you may desire a legal opinion regarding whether to send cease and desist letters to your competitors. Sometimes the best offense is a good defense.

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[1] Patent litigation costs. (Cohen Pontani Lieberman & Pavane LLP, New York, "US - Litigation: Cost and duration of patent litigation," *Managing Intellectual Property,*February 2009

Tips & Advice

Useful information about Patents, Trademarks and Copyrights

Trade Secrets

Because of the economic situation over the past two years, nearly every business is looking for ways to cut costs. There are many ways to cut costs in patent prosecution, including using provisional patent and PCT applications, limiting foreign filings to established markets, and grouping multiple concepts into one application. Trade secrets may be an alternative approach.

Trade secrets are relatively less expensive than patents and typically flow from contract law. As such, trade secret law can vary from one state to the next. We've mentioned trade secrets before, but a quick refresher is probably in order. Generally, a trade secret is a formula, practice, process, design, compilation of information, etc. that is not generally known and not reasonably ascertainable that a business may use to obtain an economic advantage over competitors. As long as sufficient steps are taken to keep the trade secret confidential (e.g., non-disclosure agreements, employment contracts, proper marking of sensitive materials), protection of the trade secret is automatic.

Trade secrets and patents can work together in some situations. If done properly, trade secret protection may be retained if an unsuccessful patent application is filed and later rejected by the Patent Office. This strategy isn't appropriate for all situations, but it does provide a limited safety net in certain situations. Regardless of the type of protection, businesses should have assignments from employees for all inventions (as detailed previously in this issue).

One potential problem with trade secrets as opposed to patents is the employee relations. Once an employee assigns a patent to his or her employer, it is clear from the oath and assignment of rights that the employer owns the rights to the invention. Because trade secrets are often not as clearly defined as the subject matter of a patent, the boundaries of ownership

can be more blurry. Furthermore, end-of-employment statements or agreements that the company owns all trade secrets and that the former employee has no right to disclose the trade secrets even after employment can generate animosity. Accordingly, the legal instruments that create and protect trade secrets, as well as the decision whether to pursue patent or trade secret protection should be considered carefully.

The determination of the need for legal services and the choice of a lawyer are extremely important decisions and should not be based solely upon advertisements or self-proclaimed expertise. This disclosure is required by rule of the Supreme Court of Iowa. The materials in this newsletter are intended to provide general information, and individuals should not rely upon the materials herein for specific legal advice. Hamilton IP Law, PC recommends that individuals seek legal counsel regarding questions and issues of protection or infringement of rights, so as to avoid possible loss of rights or infringement of the rights of others. This newsletter alone or the receipt thereof in no way creates an attorney-client relationship.

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