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BEYOND INTELLECTUAL PROPERTY - WHAT IS THE VALUE OF YOUR BUSINESS?

Author: [Jill N. Link, Pharm.D.](#)

If you are reading this article you are undoubtedly familiar with the term Intellectual Property (IP). IP is well understood to include property protected (or protectable) by patents, trademarks, copyrights, and/or trade secrets. Often IP is defined more broadly to include other property, such as know-how, proprietary information, software, brands, etc. There are at least a few scenarios when it is common to see the defined scope of IP broadened to include these (and often more), such as license agreements, valuation of an asset or company, and litigation.

There is also a new(er) term used and has caused confusion in how it relates to IP. The term is Intellectual Capital (IC). So, what is it and how is it different from IP?

The best definitions I have seen include these 5 types of Intellectual Capital:

1. Intellectual property
2. Organizational capital
3. Human capital
4. Relationship capital
5. Business model

IP describes property and legally-protected assets – including tangible or intangible property legally protected. IC captures the IP as well as other forms of capital that can provide value. For example: organizational capital can include your systems/processes; human capital includes your personnel training and engagement along with the skills of your employees; relationship capital includes your branding and client management approach; and business model can include your strategies and operations for the business in your market.

Each element of IC helps to define and describe the intangible value of a business. So, perhaps IC is the “sum of everything everybody in a company knows that gives it a competitive edge.” (According to Wikipedia, citing back over 20 years to Stewart, Thomas A., *Intellectual Capital: The New Wealth of Organizations* (1997).

The term is having a resurgence in the academic and business communities as a best practice in accounting for all value of a company. IC provides a more defined approach or even a metric for affording value (think of a company’s balance sheet) to generally intangible assets. This will continue to be important for companies with greater amounts of intangible/intellectual assets compared to tangible assets. This is no longer uncommon. We all know the shift from brick-and-mortar companies to online services. In the digital age we live in, it is often less desirable for companies to have significant physical assets. Examples include Uber (who doesn’t own fleets of cars) or Netflix (who arguably replaced video rental stores).

As your company (or your business plan) develops, it will be important to articulate and value your Intellectual Capital – including and in addition to your Intellectual Property.

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THE GROWING IMPORTANCE OF TRADE SECRETS

Author: [Mark D. Hansing](#)

Patents, trademarks, and copyrights are usually the focus of intellectual property law. Trade secrets are not, but they should be.

WHY?

The reason combines converging factors:

1. **Potential Value.** Coca Cola places a multi-billion-dollar asset value on its secret formula. One can only speculate on the book value of Google's secret search engine algorithm. The New York Times claims its criteria for naming a book a "New York Times Best Seller" is a trade secret. They have never disclosed the precise factors. From product formulas, to software, to manufacturing methods, and much more, products or methods that provide commercial advantage over competitors can be a part of the overall asset-value of a company.
2. **Law Changes.** Congress was concerned enough about industrial espionage that in 2016 it enacted the Defend Trade Secrets Act. Most states have either trade secret statutes or common law protections, but this new federal law has added both protections and enforcement remedies because of the under-appreciated nature of trade secrets. The same is true for many foreign countries. For example, the European Union, Japan, and China all have made recent trade secret law updates.
3. **Patent Reform.** Congress (to some extent) and the Supreme Court have restricted what was formerly thought to be patentable. Some software or computer-related inventions have either been declared ineligible for patenting, and several new ways to attack them, if patented, now exist. These changes have caused many companies and individuals to forego patents and turn to other IP forms of protection, including trade secrets.
4. **Tax Benefits.** The European Union this January 2019 recognized trade secrets as an intangible asset and, therefore, with proper management, can receive beneficial tax treatment. The U.S. government is encouraging U.S. companies to repatriate such assets back to the U.S. by lowering tax rates on royalties received from all forms of IP (including trade secrets) to much below ordinary corporate income rates.
5. **The modern state of employment and technology.** Employees are simply more fluid. Many change jobs several times. This exposes an employer's trade secrets to risk. Whether inadvertent or intentional, there is the risk that the next employer gets the benefits of the valuable trade secrets of the former employer. Also, increased use of outside consultants and services enlarges potential exposure to, and control of, trade secrets. Similar risks come from technology. Reliance on computers and highly sensitive digital data exposes valuable trade secrets to cybercrime. Use of mobile devices (smart phones, tablets, etc.) increases risk of hacking or inadvertent exposure.

WHAT SHOULD YOU DO?

First, take an inventory of trade secrets you control. The definition of a trade secret under most law is: (a) information (b) that derives economic value from being kept secret and (c) is subject to reasonable efforts to maintain its secrecy. In other words, information which gives a business a competitive advantage and which is kept secret. The term "information" is broad. It can be a formula, a manufacturing technique, a software program, a database, research, business plans, vendor lists, concepts and designs, financial data, and much more. Interestingly, research can include what some call "negative research". Information about what did not work or was the "wrong path" can be a trade secret. If allowed to be known by competitors, they could save time and money by avoiding that path.

Second, decide which of that valuable information should be protected as trade secrets. Sometimes they do not rise to that level. For example, if it is likely a competitor can reverse-engineer a software program, or independently

create the same functionality, you may decide the relatively minor burdens of keeping it a trade secret are not worth it. But once you have inventoried the candidates, you can better protect them.

Third, use employment agreements with employees and non-disclosure agreements with non-employees (contractors, consultants, vendors, joint ventures) to both contractually bind them to secrecy and enhance the ability (hopefully never needed) to get remedies if they violate the terms. Again, it cannot be overstated how important it is to have these in place before any work is done for you. It can be a nightmare to sign them after they are hired.

Fourth, “lock” the trade secrets up. Like the Coca Cola formula, keep it confidential by locking it up in a lock box or locked file cabinet, and restrict access to it. Do not give tours of your R&D offices. Courts have found that allowing unrestricted access, even in a walk-through, may destroy the secrecy, and thus the trade secret. Encrypt software and data. Mark documents “CONFIDENTIAL” and restrict distribution only to those bound by confidentiality agreements.

Fifth, educate everyone at your company about the foregoing. Do so when employees are hired. Emphasize how these valuable company assets remain so only if they are secret. Emphasize their legal obligations. The same is true for outside entities like contractors and consultants. And anyone else hired at your company. And hold a company-wide meeting at least once a year that reviews and reinforces these concepts.

Remember that you must also be vigilant about the trade secrets of others. From a defensive perspective, do not automatically agree to confidentiality agreements requested by others. Have them reviewed by legal counsel. Sometimes they are overly broad or can legally bind you in unintended ways. A well-known example from the past illustrates this. An individual approached a company with a new product idea. The sales-arm of the company signed a non-disclosure agreement. Unbeknownst to the sales-arm, the company’s R&D had been working on the same thing. When the company launched the version they had created, the individual sued. It appeared the company had misappropriated the idea. Strong, specific language in the confidentiality agreement (which was missing in this case), could have prevented this litigation. To the extent possible, try to avoid signing or receiving potential trade secret information from others unless you have adequate defensive protection.

The foregoing is not legal advice. It is editorial commentary. Retain advice from competent legal counsel before acting on the foregoing.

[Mark D. Hansing](#) is an Intellectual Property Attorney and Member in the [Mechanical Patent Practice Group](#) and has been with MVS since 1981. For more information, please visit the [MVS website](#) or contact Mark directly via [email](#).

IP LEGAL CONSIDERATIONS FOR LIVE STREAMING

Author: [Brandon W. Clark](#)

If you're one of the millions of people that log into a social media platform each day, it's highly likely that you have encountered a rapidly growing number of live streams. Now that live streaming is available to anyone with a smartphone, the potential legal issues and concerns are much more relevant to the average person. This article gives you an overview of the intellectual property considerations present while live streaming.

Live streaming refers to streaming video online in real time and encompasses a wide variety of topics including concerts, sporting events, video games, and/or even the routine and mundane aspects of one's life. Television networks have full time legal departments to deal with issues such as these, so if you are engaging in live streaming it's important to have a basic understanding of what issues might arise.

COPYRIGHT ISSUES

The right to publicly perform and display a copyrighted work are two of the exclusive rights that a copyright owner is entitled to. And a copyright owner has the exclusive right to reproduce and distribute a copyrighted work. Any of these rights could be infringed upon by a live stream. Because of this, the most important consideration is to ensure that you are only including authorized content in your live stream. Avoid streaming or including unoriginal or copyrighted materials and the re-broadcasting of background music, audio, or images that might be protected by copyright. For more highly produced live streams like pay-per-view sporting events, it's important to have licenses for all music played over the live stream or ensure you are using royalty free music. Because live streaming generally does not allow you to edit the video, if you infringe someone's copyright there can be very serious consequences.

TRADEMARK ISSUES

Trademark infringement is generally defined as the unauthorized use of a trademark on, or in connection with goods or services so it is likely to cause confusion, deception, or mistake as to the source of the goods and services. There are other, more intricate forms of infringement that include dilution and blurring that may also arise regarding live streaming. Generally, simply displaying a logo or trademark does not constitute trademark infringement unless you imply a relationship with that party or show the mark in a bad light, however, as a best practice, avoid including or displaying third party logos or brands to the extent possible. If you're working with a brand or logo and utilizing it in your live stream, it's important to include trademark licenses in all releases and agreements.

RIGHT OF PUBLICITY/RIGHT OF PRIVACY

The related rights of publicity and privacy are also often a concern for live streaming. The Right of Privacy is the right to control information about yourself, regardless of how it's shared. The Right of Publicity is the right to protect your name and likeness from being exploited for commercial gain. Regarding the Right of Privacy, "expectation of privacy" is the magic phrase. If an individual is in a public place, they rarely have an expectation of privacy. However, one's expectation of privacy can depend on several factors including the specific setting, filming location, context, and circumstances. Streaming individuals without their permission could violate their Right of Privacy or Publicity under applicable state laws. Thus, it's important to obtain release agreements for individuals in your live stream to the extent possible.

A host of other legal considerations include the distinction between commercial and non-commercial uses, location issues and releases, participant/audience releases, and FTC concerns that might arise because of a live stream. To mitigate any potential risk, we recommend that you be knowledgeable and/or consult an attorney well versed in these issues before live streaming your content.

Brandon W. Clark is the Chair of the [Copyright, Entertainment & Media Law Practice Group](#) at McKee, Voorhees & Sease, PLC. For additional information, please visit www.ipmvs.com or contact Brandon directly via email at brandon.clark@ipmvs.com.

RECENT NEWS IN IP

Author: [Jonathan L. Kennedy](#)

USPTO Announces Proposed Fee Hikes

On July 31, 2019, the United States Patent & Trademark Office (USPTO) announced a proposed fee increase. The Office proposed fee hikes as high as 213%, although most are more moderate. The reasons for the proposed fee increase are that patent examination costs have exceeded the USPTO's projections and the fees the Office has collected over the past couple years have been lower than expected (due to lower patent application filings and declines in maintenance fee renewals). To identify the proposed adjustments, the USPTO aggregated the costs of patent operations over the next five years, calculated the prospective revenue from fees, and determined the fees needed over the five-year period to offset the difference. Some of the proposed fee increases are summarized below based on large entity status. Small entity fees will be 50% of the large entity fees and micro entity fees will be 50% of the small entity fees.

Utility Issue Fee:	From \$1000 to \$1200 (Increase 20%)
Filing Fee, including search and examination Fees:	From \$1720 to \$2220 (Increase 29%)
Request for Continued Examination (RCE) Fee:	From \$1300 to \$1360 (Increase 4%)
First Maintenance Fee:	From \$1600 to \$2000 (Increase 25%)
Second Maintenance Fee:	From \$3600 to \$3750 (Increase 4%)
Third Maintenance Fee:	From \$7400 to \$7700 (Increase 4%)
Surcharge for late payment of maintenance fee:	From \$160 to \$500 (Increase 213%)
Request for expedited examination of design application:	From \$900 to \$2000 (Increase 122%)

The USPTO is also proposing new fees. Those fees are based on document types and for maintaining an attorney's admission to the patent bar. Those fees are summarized below.

Fee for filing a non-DOCX document:	Large Entity \$400
	Small Entity \$200
	Micro Entity \$100
Annual Practitioner Dues (without certifying CLE):	\$340
Annual Practitioner Dues (with certifying CLE):	\$240

As these fee changes are proposed, public comments can be provided regarding their expected effect and any concerns that the public may have. Such comments can be provided at fee.setting@uspto.gov until September 30, 2019.

United States Licensed Attorney Required for Foreign-Domiciled Trademark Applicants

Another recent change at the USPTO is the requirement that foreign-domiciled trademark applicants must be represented by an attorney licensed to practice in the United States of America. The U.S. licensed attorney must be an active member of a state bar in good standing with their bar.

New Canadian Patent Law Changes National Stage Entry Timing

The Canadian Intellectual Property Office is implementing several changes effective October 30, 2019. One of the most prominent changes for U.S. (and other non-Canadian) applicants is that entry into Canada via the Patent Cooperation Treaty (PCT) at 42 months will no longer be available as a matter of right. Technically, Canadian patent law has always required entry by the 30-month deadline; however, late entry up to 42 months was granted as a matter of right. This has changed in that late entry is no longer a matter of right and the timing for requesting a restoration of priority to permit late entry has been shortened. If the Canadian filing deadline was missed *unintentionally*, applicants can seek restoration of priority for one month after a missed PCT entry deadline (i.e. until the 31st month) or two months after a direct entry deadline (i.e., until 14 months after the earliest priority filing). If you have further questions regarding these changes to the Canadian patent filings, we are happy to consult with our Canadian associates to get you answers.

[Jonathan L. Kennedy](#), is Intellectual Property Attorney & Member in the [Biotechnology & Chemical Practice Group](#) at [McKee, Voorhees & Sease, PLC](#). For additional information, please visit www.ipmvs.com or contact Jonathan directly via email at jonathan.kennedy@ipmvs.com.

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August 24-29, 2019

Jonathan L. Kennedy, Intellectual Property Attorney & Member, attended the American Chemical Society National Meeting & Expo on Chemistry & Water in San Diego, California. Jonathan is actively involved in ACS and served as Division Chair for the American Chemical Society's Division of Chemistry and the Law in 2018.

August 27-28, 2019

Intellectual Property Attorneys, Heidi S. Nebel and Jill N. Link, Pharm.D., attended the Association of University Technology Managers (AUTM) Animal Health Partnering Forum in Kansas City, Missouri. Heidi and Jill are both active members of AUTM and MVS was a proud sponsor of the Forum.

September 9-11, 2019

Intellectual Property Attorneys, Heidi S. Nebel and Jill N. Link, Pharm.D. attended the 11th Annual Ag Innovation Showcase (Powered by Larta Institute) in Minneapolis, Minnesota.

September 12, 2019

Jill N. Link, Pharm.D. presented at the Licensing Executives Society (LES) Iowa Chapter Intellectual Property Business Basics Course in Des Moines, Iowa. MVS was a sponsor of the Course. Jill is the Chair of the MVS Licensing Practice Group and Chair of the Licensing Executives Society (LES) Iowa Chapter.

October 1-2, 2019

MVS is a proud sponsor of the Iowa Association of Business and Industry (ABI) Advanced Manufacturing Conference. Intellectual Property Attorney & Member, Luke T. Mohrhauser, is presenting on capturing innovation in manufacturing at the Advanced Manufacturing Conference on October 2nd. MVS is a sponsor of the Conference and the Legends in Manufacturing Awards Dinner on October 1st.

October 3-4, 2019

Jill N. Link, Pharm.D., Intellectual Property Attorney & Member, is attending the Association of University Technology Managers (AUTM) Eastern Regional Meeting in Raleigh, North Carolina.

October 3-4, 2019

Heidi S. Nebel, Intellectual Property Attorney, Managing Member & Chair of the Biotechnology & Chemical Practice Group, is attending the Invent Penn State Venture & IP Conference in Bridgeville, Pennsylvania. MVS is a proud sponsor of the Conference.

October 8-9, 2019

Cassie J. Edgar, Intellectual Property Attorney, Member & Chair of the Regulatory Law Practice Group, is attending the CRISPRcon Midwest Conference in Madison, Wisconsin. MVS is a proud sponsor of the Conference and Cassie is on the CRISPRcon Steering Committee.

October 16-18, 2019

Cassie J. Edgar, Intellectual Property Attorney, Member & Chair of the Regulatory Law Practice Group, is attending the World Food Prize Borlaug Dialogue International Symposium in Des Moines, Iowa.

October 20-23, 2019

Jill N. Link, Pharm.D., Intellectual Property Attorney & Member, is attending the Licensing Executives Society (LES) Annual Meeting in Phoenix, Arizona. Jill is the Chair of the LES Iowa Chapter and Chair of the MVS Licensing Practice Group.

October 24-26, 2019

Kirk M. Hartung, Intellectual Property Attorney, Member & Chair of the Mechanical Practice Group, is attending the LEGUS International Network of Law Firms Fall Meeting in Charleston, South Carolina. Kirk is Past Chair of the LEGUS Board and an active member of the organization. MVS is a proud sponsor of this Meeting.

If you're interested to learn about what our MVS attorneys attend and learn, please contact them through www.ipmvs.com or by calling 515-288-3667.