

Navigating the IP Landscape

October 25, 2023

The training is approved for MCLE credit in California, Illinois, New Jersey (through reciprocity), New York and Pennsylvania. We will seek credit for all other states we have office locations. Credit for other jurisdictions may be available upon request. For more information, please email Troutman Pepper CLE Management (clemanagement@troutman.com)

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Agenda



Introduction +
Housekeeping



Best Practices
for IP Ownership
and Licensing



Advertising,
Promotion, and
Marketing Law
101



Developing and
Managing an
International IP
Portfolio



Alumni Panel:
Hot Topics
Facing In-House
Counsel



Wrap-up + Q&A

A background image showing a business meeting with people in professional attire. A teal semi-transparent overlay covers the middle of the image, containing text. In the foreground, a person's hands are visible typing on a laptop keyboard.

Best Practices for IP Ownership and Licensing

Moderator: Sean McConnell

Panelists: Howard Shire, James Schutz, Ashley Hager

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Speakers: Best Practices for IP Ownership and Licensing



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Build? Buy? License?

What is the preference from an IP Perspective?

What factors should we be considering in making that decision?

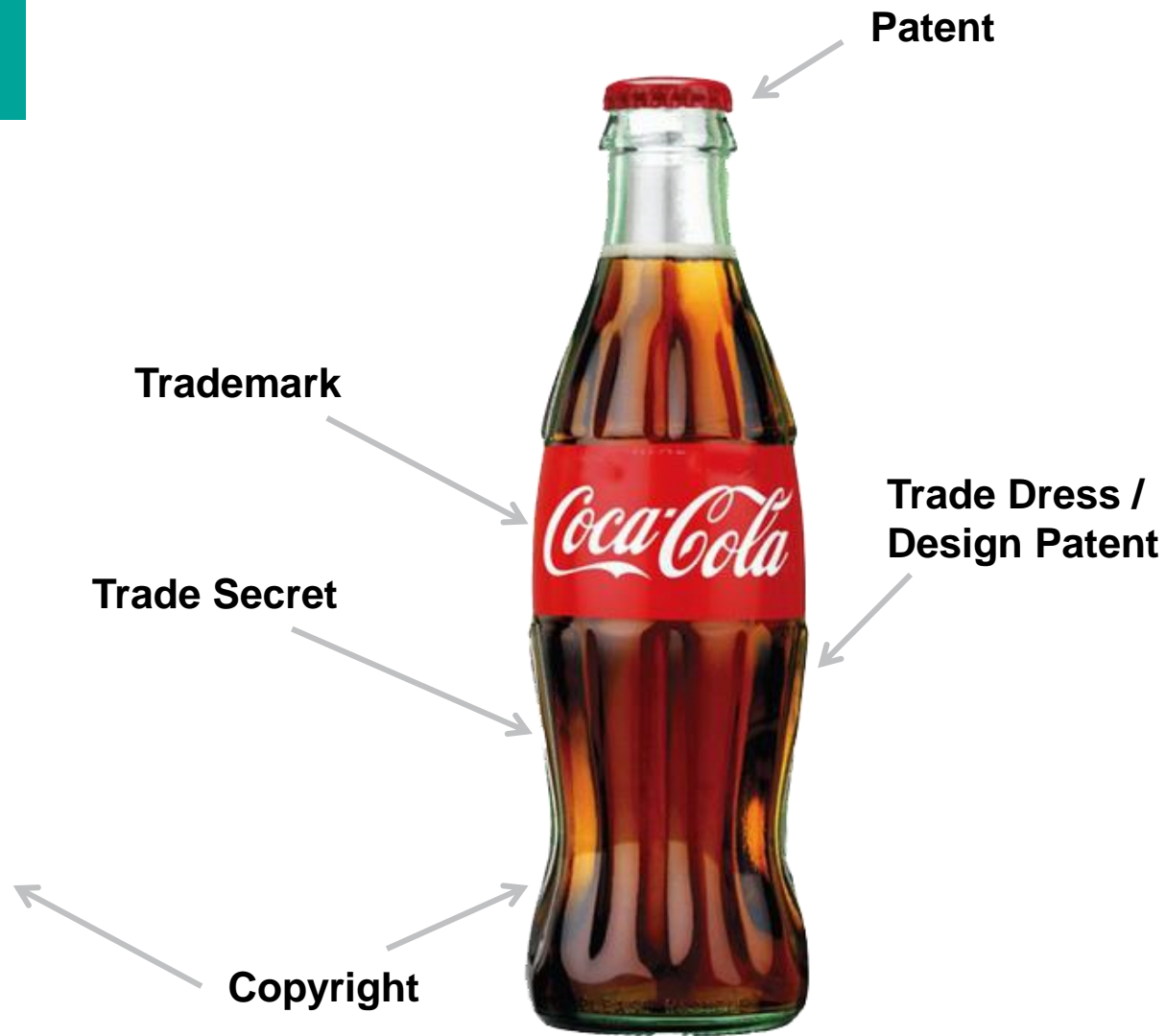


Types of IP Assets

Who is the Default Owner?



Right of Publicity



Patents – Inventions, Processes, Improvements

- **“Applicant” - Company or Inventor? 35 U.S.C. § 261** - Either way, “[s]ubject to the provisions of this title, patents shall have the attributes of personal property. ... Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing.”
- **What about joint owners? 35 U.S.C. § 262** – “In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners.”

Trade Secrets - Data, Algorithms, Customer Lists, Processes

- **18 U.S.C. § 1839(4) - “owner”**, with respect to a trade secret, means the person or entity in whom or in which rightful legal or equitable title to, or license in, the trade secret is reposed
- **18 U.S.C. § 1839(3) – “trade secret”** means all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing
- **18 U.S.C. § 1833 – Exceptions to Prohibitive Disclosures** – Limits criminal and civil liability for disclosing a trade secret in certain instances.

Copyright – Images, Video, Software

- **17 U.S.C. § 201(a) – Initial Ownership** - “Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are co-owners of copyright in the work.”
- **17 U.S.C. § 201(b) – Works Made For Hire** - “In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright



What Qualifies as Work Made for Hire?

- **A work prepared by an employee within the scope of his or her employment**

OR

- **A work specially ordered or commissioned for use:**
 1. as a contribution to a collective work,
 2. as a part of a motion picture or other audiovisual work,
 3. as a translation,
 4. as a supplementary work,
 5. as a compilation,
 6. as an instructional text,
 7. as a test,
 8. as answer material for a test, or
 9. as an atlas

Additional Consideration for Copyrights

- **With whom are you contracting?**
- **Can an assignment or license be terminated?**
 - 17 U.S.C. §§ 203, 304(c), and 304(d)
 - Rights given to authors and heirs
 - What about derivative works?

Trademarks – Products, Services, and Associated Goodwill

- Who owns the underlying rights?
- What are some key considerations for Trademarks?



Rights of Publicity

- Based in State Rights
- Where would such rights become important?



How Do Creators Differ?

**Employees, Contractors +
Business-2-Business (B2B)**

CLE: Delaware 076

Types of Workers

What are the different types of workers that a company might hire who might be creating intellectual property?



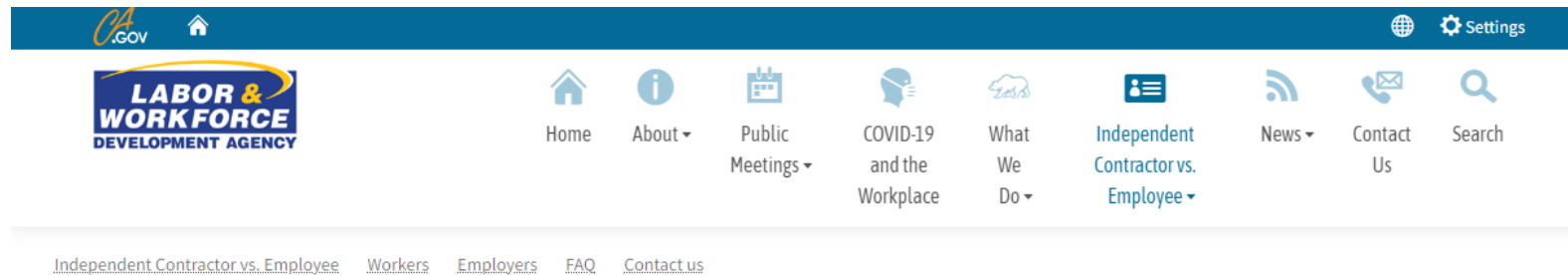
Employees

- **What rights can / should we get from employees?**
- **Are there any limits to the rights we can get from employees?**
 - CA, DE, IL, KS, MN, NV, NJ, NY, NC, UT, WA and counting...
- **What are the best practices for procuring the most relevant rights from Employees?**
 - Employee Handbooks? Or By Contract?
 - Confidentiality Provisions?
 - Restrictive Covenants:
 - Non-competition
 - Non-solicitation



Independent Contractors

- Are there any risks to hiring a worker as an independent contractor vs hiring them as an employee?
- What are some common mistakes you see with clients hiring contractors?
- When should a company considering hiring the contractor as an employee?



What is the ABC test?

Under the ABC test, a worker is considered an employee and not an independent contractor, unless the hiring entity satisfies **all three** of the following conditions:

- The worker is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact;
- The worker performs work that is outside the usual course of the hiring entity's business; **and**
- The worker is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

Independent Contractors

- What contractual provisions should we need to have nailed down in an independent contractor agreement?
- Does it matter where you find that contractor?

B2B Considerations

- **What are the important considerations that your clients should consider when they are contracting with a third-party businesses?**
 - Putting obligations on the company
 - Understanding Reps/Warranties
- **Relationship between Company Hiring and their own employees (Reps and Warranties)**
- **Does it matter where the third-party company is located? (US vs International?)**

Miscellaneous Considerations on Ownership + Licensing

- **Reliance on Third Party Repositories – GitHub / Open-Source / Stock Photos**
 - Who's the owner?
 - What are the risks?
 - What instructions should we be providing our Employees? Independent Contractors?
- **The Rise of Artificial Intelligence**
 - What impact does the use of AI have on our workers and the development of IP?
 - Employees?
 - Contractors?
 - B2B?
 - Any Limitations on the use of AI for IP?
 - Patents - *Thaler v. Vidal*, 43 F.4th 1207 (Fed. Cir. 2022), *cert denied*, No. 22-919 (Apr. 24, 2023)
 - Copyright - *Thaler v. Perlmutter*, No. 22-1564, 2023 U.S. Dist. LEXIS 145823 (D.D.C. Aug. 18, 2023)



Advertising, Promotion, and Marketing Law 101

Moderator: Courtney Thornton

Panelists: Austin Padgett, Michael Hobbs, Clayton Friedman

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Speakers: Advertising, Promotion, and Marketing Law 101



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Fact Scenario No. 1



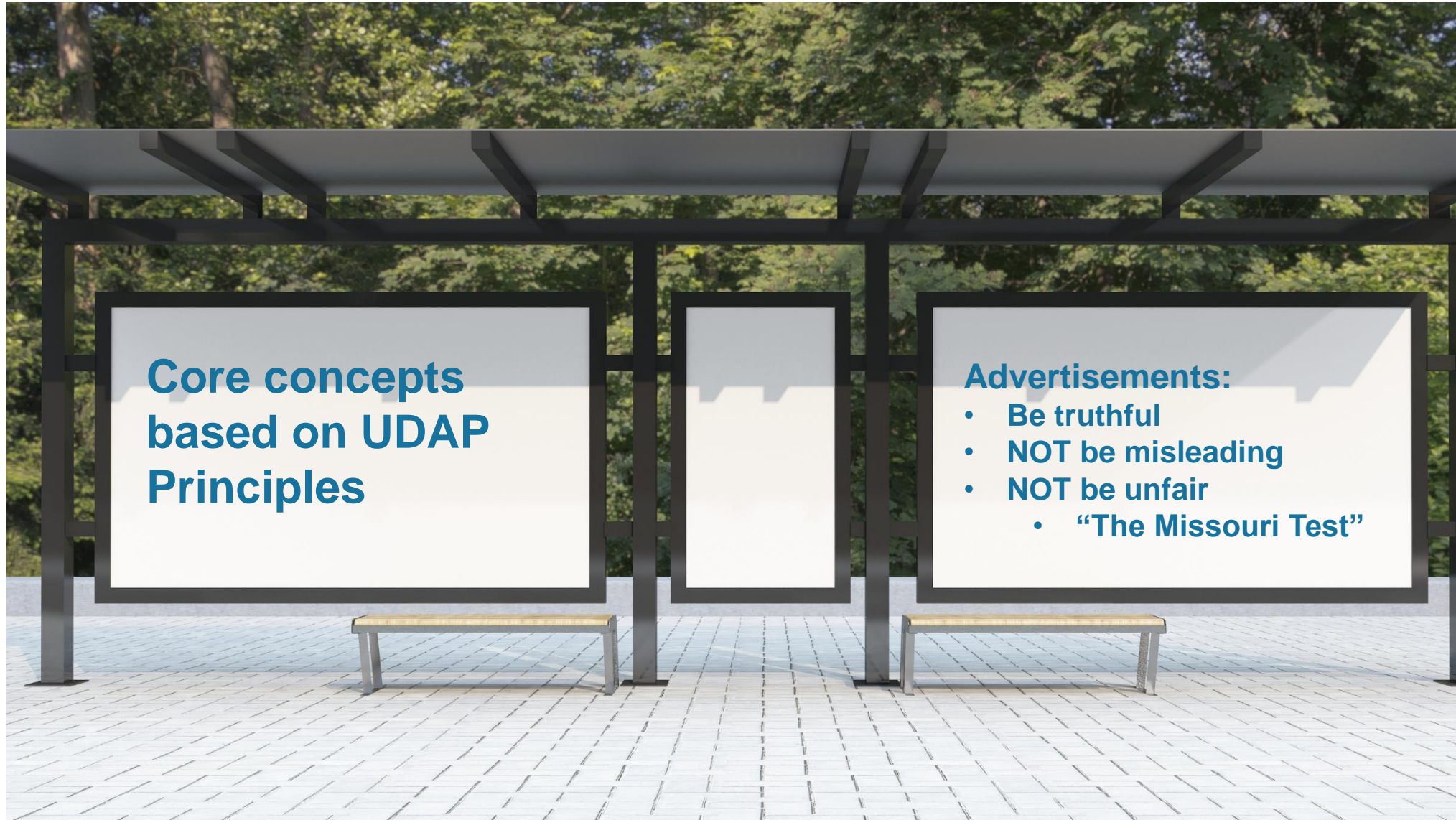
The CEO calls and says that she has hired a new, youthful, and energetic director of marketing with the sole aim to get more products to the youth of America. The new director has the CEO's ear, and he has introduced the idea of what he calls "an online raffle." The company wants to roll it out on Friday. It is described this way: "essentially, anyone who buys a product will receive a code to enter a drawing for a monster truck/golf cart hybrid to be given away each week or so. They will go to our website to enter with the code, and they can get an extra entry if they post something on their Facebook page about the promotion."

Can legal sign off to have this done by Friday?

Advertising and Marketing Law 101

- Fundamentals
- Claim Substantiation
- Disclosures

Advertising Fundamentals



Sources

FTC Act § 5:

- Deceptive practices:
 - Representation or omission
 - Likely to mislead consumers acting under the circumstances
 - Material information
- Unfair practices

FTC's Rules and Guidance:

- Dot Com Disclosure Guides
- Endorsement and Testimonial Guides and FAQs
- Pricing Guides

State UDAP Statutes:

- Typically modeled after § 5, but many states have:
 - Specific itemized provisions regarding advertising
 - Other applicable provisions (e.g., reference pricing laws)
- AG enforcement
 - Private rights of action

NAD and NARB Precedent

Network Advertising Guidelines

Advertising Fundamentals: Overview

Advertisements

- Can communicate both **express** and **implied** claims
 - Viewed in their totality, not in isolation
- Should avoid “absolute claims”
- Claims must be:
 1. **Substantiated**
 2. **Representative and typical**
 - If not generally applicable, then must be **properly qualified**
- Require disclosures that “generally” must be **clear and conspicuous**
 - Even with a disclosure, advertisement cannot be deceptive or misleading
- These core concepts all apply to price advertising

Advertising and Marketing Law 101

Claim Substantiation

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Substantiation

Advertisers must have a **reasonable basis** for product claims:

- Type of **product**
- Type of **claim**
- Benefits of a **truth** claim
- **Level/amount of substantiation**



In Pricing relates to claims such as :

- Savings claims
- Comparative claims
- Pricing by aggregators
- Special Social media considerations

Substantiation Before Dissemination

Must possess substantiation
prior to disseminating the
advertisement

“Scientific
studies show...”

“Most leg room
of any car in its
class...”

“Most
technologically
advanced on the
market today...”



Once Substantiated, Not Always Substantiated

- Claims must be **reviewed** and **updated** to ensure that they are supported
- Comparative claims must be based on:
 - Current **market reality**
 - Current **competitor product**
- If competitor changes product, advertiser must **update** their competitive claim
- Substantiation must be evaluated **based on** advertising dissemination
 - Worldwide
 - National
 - Local/Regional

Advertising and Marketing Law 101

Disclosures

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Material Information Must be Disclosed

- Information *likely to influence the purchase decision*:
 - Total costs to receive/use the product/service
 - Cost is **always material**
 - Required contracts
 - Offer expiration dates
 - Eligibility/Qualifications
 - Sales Qualifications
 - Financing qualifications



Disclosures Must be Clear and Conspicuous

The Four P's:



Prominence: Big enough for consumers to *read* and *notice*



Presentation: Wording and format easy for consumers to *understand* (i.e., free of legal jargon)



Placement: Information or link easy to *find* and where consumers will *likely look*



Proximity: Disclosure *close* to the claim it qualifies

Warning: Enforcement trends seem to signal even stronger requirements

“Dot Com” Disclosures

Disclosure

- Must be in the **four corners** of the ad
 - **If it does not fit, don't make the claim**
- Should **not require scrolling** to the bottom of the page (not favored by the FTC)
 - **If scrolling is necessary, must provide text or visual cues to encourage consumers to read the necessary disclosure**
 - Scroll bar is “not a sufficiently effective visual cue”
- Should be **optimized**
 - For small screens and mobile viewing
 - No big or empty white spaces on the page
- If the disclosure is **not on the same page**, then:
 - Disclosures only **one click away** with
 - **Clearly labeled** hyperlinks
 - Not appropriate for very important information (e.g., health and safety)
 - Used to “further explain” material otherwise disclosed

Inadequate Disclosure: Example

Guaranteed for life.

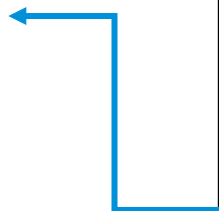
When used as directed. Lifetime based on 5 years of use. Visit NinjaWarranty.com.

“When used as directed.
Lifetime based on 5 years of
use. Visit NinjaWarranty.com”

Contradictory and too small

Inadequate Disclosure: Example

Poor legibility



**UNLIMITED CALLS
AROUND THE WORLD**

With 1-year agreement.
High-speed internet required. Rates exclude internet service, surcharges and taxes. Offer limited to specific countries and territories and to certain call types depending on destination. See vodafone.com for full details. Vodafone 911 service operates differently than traditional 911. See vodafone.com/911 for details. Alarms, TTY and other systems may not be compatible.

Inadequate Disclosure: Example



“Individual results will vary. In a recent modality study average fat loss for participants over 6 weeks was 18.8 lbs. Average weight loss was 17.4 lbs. Participants also followed the meal plan included with every Tread...”

Small type font, poor contrast, and likely deceptive claim

Advertising and Marketing Law 101

Key Rules and Guidance

Sales and Reference Pricing

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FTC “Pricing Guides” and State Advertising Regulations

Absolutely prohibits **using fictitious regular price** (to create illusion of a bargain)

- *E.g.*, “Save 25%”
- *E.g.*, “40% off MSRP”
- *E.g.*, “Now Only”

Problematic offerings

- Never offered at regular price
- No sales made at regular price
- Perpetual sales

Misleading comparison pricing

- Must be an **accurate comparison**, but can limit or modify with disclosures
- All terms must be **substantiated**
 - *E.g.*, Lowest price guaranteed
- Limited time offers-must have an **end date**



Advertising and Marketing Law 101

Pricing: Drip Pricing

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Drip Pricing

- Technique in which **only part of the price is advertised**, and other charges are revealed as consumers go through the buying process
 - Undisclosed fees that are unavoidable and could affect purchasing decisions
- FTC's proposed new rule regulates such fees; State AGs already enforcing against it
 - CA just passed a law that takes effect on 7/1/24.



• Best Practices:

- **Charge mandatory fees** and not convenience fees;
- Carefully **consider whether to “unbundle”** an unavoidable fee
- Clearly and conspicuously **disclose total costs** upfront including all fees and taxes
 - Never conflate taxes and fees or commingle them into one-line-item field
- Provide **full price breakdown** and explain all fees charged before customers can checkout
- Avoid **impression** that a fee is a “pass through fee”

Advertising and Marketing Law 101

Pricing: Using the Word “Free”

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Guidelines for Using “Free” in Advertising

- **FTC’s guidelines:**
 - All terms and limitations must be **clearly and conspicuously** disclosed
 - Item must be **free**
 - Cost can’t be included in price of product or service offered
 - Same free offer should be **separated by 30 days, and** should not be offered **more than three times or more than 6 months** in a 12-month period
 - Avoid continual free offers because then the use of the word “free” is deceptive (e.g., includes “free installation”)
- Some **states** have more restrictive laws regarding “free” in advertising:
 - Massachusetts-must state the value of the free item either based on the seller’s sale price or a comparative price evaluation, if not commercially available
- Concepts apply to BOGO offers

Advertising and Marketing Law 101

Unique Methods of Advertising

Influencers: Testimonials & Endorsements

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Fact Scenario No. 2

The chief marketing officer of your company sends you an advertisement for review. The advertisement will run in *The Wall Street Journal* tomorrow. The advertisement reads:

**IF OUR COMPANY WAS ANY GREENER, WE'D BE LIVING
IN A TRASH CAN**



**WITH A 55% ENVIRONMENTAL IMPACT IMPROVEMENT, WE'VE LEFT OUR BIGGEST
COMPETITOR FEELING BLUE**



Fact Scenario No. 2

The CMO also wants to hire several social media influencers to promote the campaign by posting the advertisement on their platforms, but she does not want the connection between them and your company to be obvious because it will not make the promotion look authentic.

Any issues?

**IF OUR COMPANY WAS ANY GREENER, WE'D BE
LIVING IN A... TRASH CAN**



**WITH A 55% ENVIRONMENTAL IMPACT IMPROVEMENT, WE'VE LEFT OUR BIGGEST
COMPETITOR FEELING... BLUE**



FTC Green Guides



The Federal Trade Commission (FTC) has published “Guides for the Use of Environmental Marketing Claims” aka “The FTC Green Guides”

- No third-party remedy and does not bind FTC, but FTC can take action under the FTC Act for claims inconsistent with guides.
- Cover general environmental benefit claims, carbon offsets, certification and seals of approval, compostable claims, degradable claims, recyclable claims, renewable energy claims and source reduction claims.

FTC Green Guides



General Principles:

- Claims, qualifications and disclosures should be clear, prominent and understandable.
- Make distinctions between benefits of product, packaging and service, or a portion of them.
- Marketing should not overstate an environmental attribute.
- Substantiation required for comparative claims.
- Deceptive to claim a general environmental benefit.
- Carbon offset claims must be supported by reliable scientific methods.
- It is deceptive to use a certification seal that conveys a general environmental benefit

Testimonials and Endorsements



- **Endorsement is** any advertising message that consumers are **likely to believe** the opinions, beliefs, finding or experiences of a third party
- A positive statement about the product is not required
 - It can be implied
 - *E.g., simply posting a picture of a product on social media (Pinterest or a video of someone using it)*
 - Use of common social media platform features may constitute an endorsement
 - *E.g., sharing of links, pinning, retweeting, or tagging*
 - Liking may be an exception (unless paid for it)

Requirements for Testimonials and Endorsements

Endorsement must

- Reflect speaker's actual experience and opinion
- Be current

Disclosures

- Must be **clear and conspicuous**
- Cannot cure a deceptive claim

Atypical results require further disclosure:

- “Not all consumers will get this result” is **insufficient**
- Ad should disclose the **generally expected performance** in the depicted circumstances
 - Must have substantiation

Compliance with FTC Guides: Best Practices

Internal Policy and Procedures:

- Make sure you have a social media policy in place AND enforce it
- Train your employees – make it mandatory

External Relations:

- Bloggers, celebrities, and social media agents must be **trained and monitored** by the company – the FTC will demand it
- The Company is responsible for ensuring that **endorsers make disclosures**
- The Company's **contracts with celebrities** need to protect it from the celebrity's social media conduct
- All “authorized” posts for which celebrity is being compensated should be **submitted for approval**
- Agencies that the Company hires must also have a **social media policy**

Section 43 Lanham Act – False Advertising



The false-advertising section of the Lanham Act (commonly known as Section 43(a)) provides as follows:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

* * *

in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

41 U.S.C. § 1125(a)(1).

Section 43 Lanham Act – False Advertising



To prevail on a false-advertising claim under the Lanham Act, a plaintiff must satisfy the following elements:

- (1) a false or misleading statement of fact; that is
- (2) used in a commercial advertisement or promotion; that
- (3) deceives or is likely to deceive in a material way;
- (4) in interstate commerce; and
- (5) has caused or is likely to cause competitive or commercial injury to the plaintiff.

Section 43 Lanham Act – False Advertising



- **Two types of advertising claims are actionable under the Lanham Act:**
 - (1) statements that are literally false; and
 - (2) statements that are literally true, but likely to mislead, confuse, or deceive.
- Specific claims of false objective facts are the easiest to prove.
- Statements of opinion or general claims of superiority—often called puffery—are not typically actionable under the Lanham Act. But a plaintiff might recover on a superiority claim if, for example, the challenged advertisement makes a direct comparison to a competitor’s product.
- A plaintiff can recover under the Lanham Act for misleading statements that are literally true, but must show that the advertisement has deceived or has a tendency to deceive.

Developing and Managing an International IP Portfolio

Moderator: Korbin Blunck

Panelists: Ryan Schneider, Paul Kennedy

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Speakers: Developing and Managing an International IP



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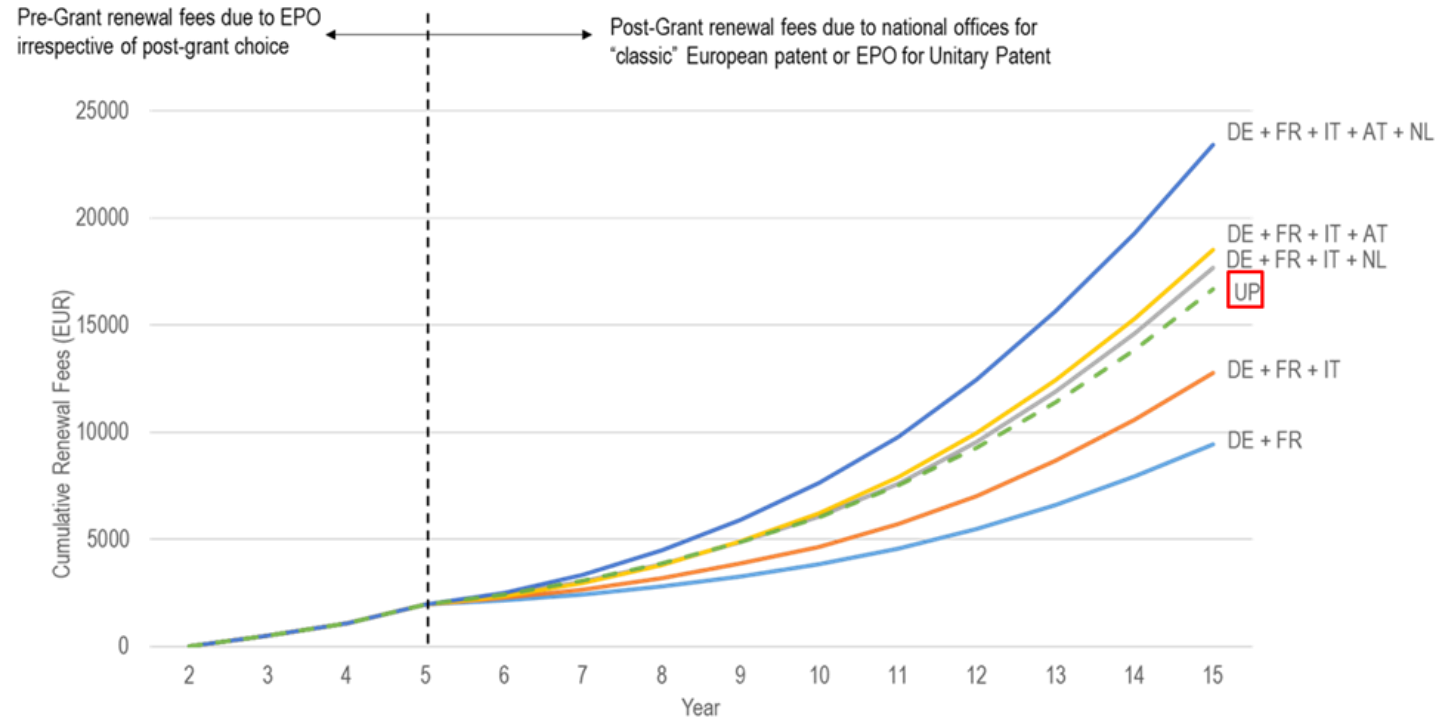
CLE: Maine 929

Items to Consider For International IP Protection

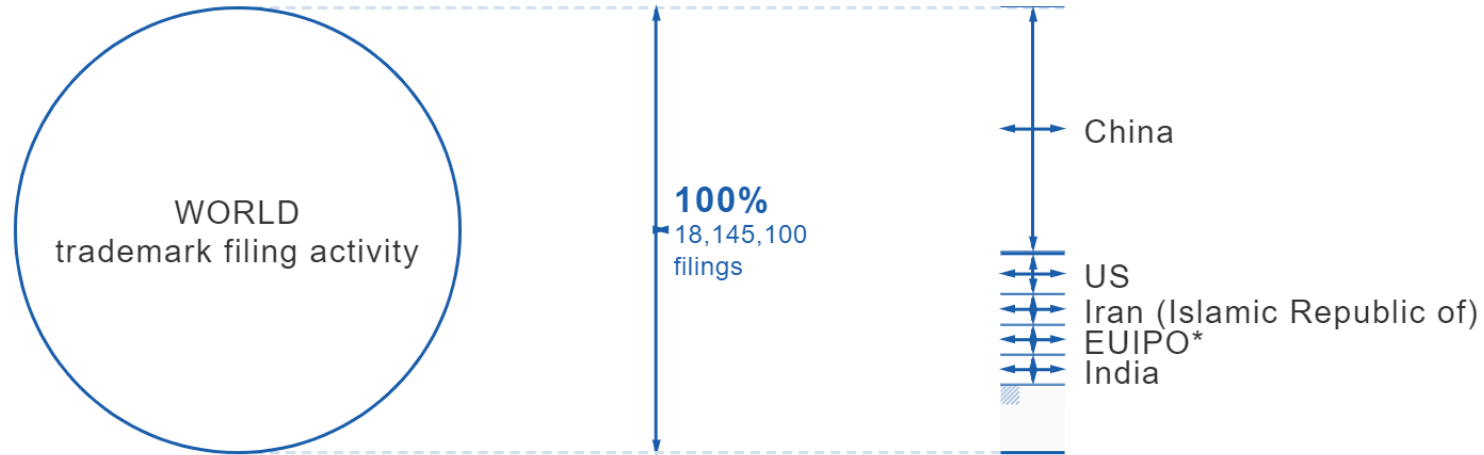
- What are the key markets of interest to the business?
- What are the key markets of interest to competitors, suppliers, and customers?
- What jurisdictions have mature and sophisticated patent/trademark/copyright regimes?
- Where are the key strategic manufacturing locations for core technologies?

European Unitary Patent and Court (UPC)

- Alternative to conventional EP Patent that provides a single patent right covering up to 25 (currently 17) EU Member States
- Same pre-grant prosecution as conventional EP patents, but differs in validation and enforcement
- **Validation:** Unitary Patent (UP) fees typically less expensive than conventional EP validations in 4+ countries
- **Enforcement:** UP centralized at UPC while EP patents challenged or asserted in individual countries



Top Intellectual Property Offices for Trademark Filings

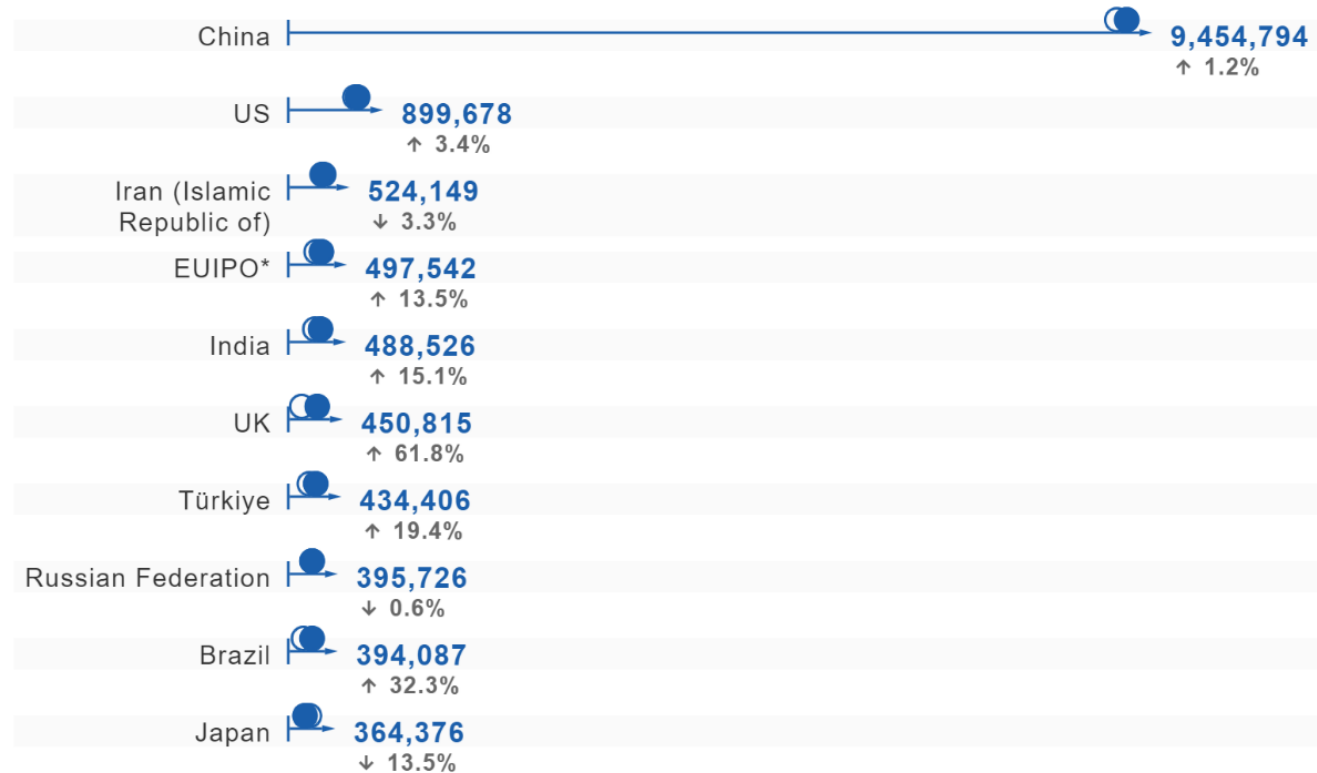


In 2021, 65.4% of all trademark filing activity – measured in class counts – occurred at the IP offices of China, the US, Iran, the EUIPO and India. China alone accounted for more than 52.1% of global trademark filing activity, primarily from Chinese residents.

Note: For trademarks, filings refer to the number of classes specified in applications.
* EUIPO is the European Union Intellectual Property Office

Source: WIPO Statistics Database, February 2023

Top 10 Intellectual Property Offices for Trademark Filings



In 2021, China's IP office received applications in which about 9.5 million classes were specified (class count). It was followed by the US, Iran, the EUIPO and India. The top 10 offices accounted for 76.6% of the world total in 2021.

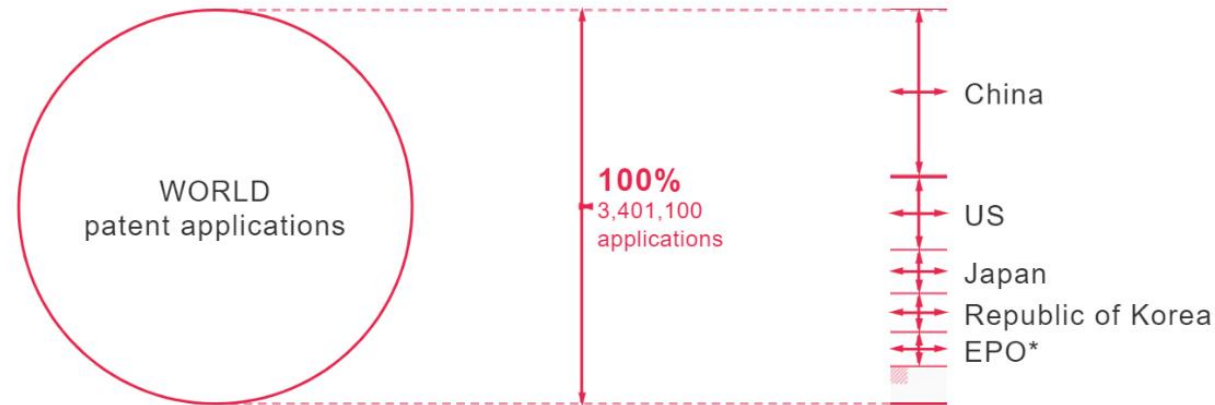
Note: * EUIPO is the European Union Intellectual Property Office.

Source: WIPO Statistics Database, February 2023

Top Intellectual Property Offices for Patent Filings

Which IP offices are receiving the most patent applications?

Other offices

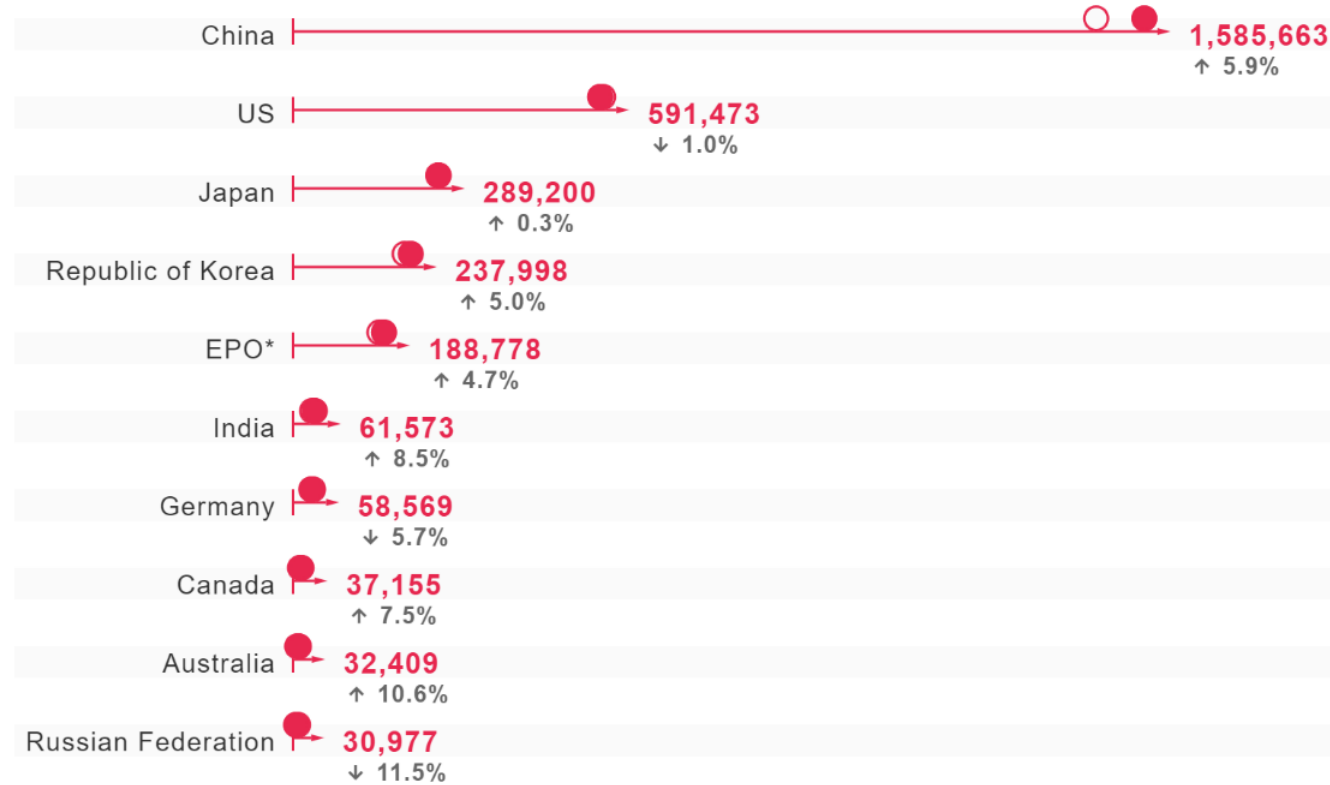


More than 85% of all patent filings in 2021 occurred in the IP offices of China, the US, Japan, the Republic of Korea and the EPO. China accounted for 46.6% of the world total.

Note: * EPO is the European Patent Office

Source: WIPO Statistics Database, February 2023

Top 10 Intellectual Property Offices for Patent Filings



In 2021, China's IP office received around 1.59 million patent applications. It was followed by the offices of the US, Japan, the Republic of Korea and the European Patent Office. The top 10 offices accounted for 91.6% of the world total in 2021.

Note: * EPO is the European Patent Office

Source: WIPO Statistics Database, February 2023

International Design Patent Applications (The Hague System)

- File a single application with WIPO
- Growing number of member countries (Currently 96 total - US joined in 2015)
- Some countries do not require substantive examination
- Can be a cost-effective way to obtain protection in multiple foreign countries
- Priority must be claimed within 6 months

Alumni Panel

Moderator: Susan Stabe

Panelists: Puja Dave, Jihan Jenkins, Hunter Yancey

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Speakers: Alumni Panel



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Alumni Panel: Hot Topics Facing In-House Counsel



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Hunter Yancey

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- Graduate from Franklin Pierce School of Law
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Thank You!

Navigating the IP Landscape

October 25, 2023

The training is approved for MCLE credit in California, Illinois, New Jersey (through reciprocity), New York and Pennsylvania. We will seek credit for all other states we have office locations. Credit for other jurisdictions may be available upon request. For more information, please email **Troutman Pepper CLE Management** (clemanagement@troutman.com)

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