

# International Legal Considerations and Intellectual Property Protection

J. Hunter Adams

Attorney

AdamsIP, LLC



# Export Administration Regulations (EAR)

- \* Governs the export and reexport of items for reasons of national security, nonproliferation, foreign policy, short supply, crime control, and anti-terrorism.
- \* A relatively small percentage of exports and reexports require the submission of a license application to the U.S. Department of Commerce's Bureau of Industry and Security (BIS)
  - \* dependent on an item's technical characteristics, destination, end use, and end-user

# Do I need Export License?

- \* The first step is knowing your item's Export Control Classification Number (ECCN). ECCN entries are found on the Commerce Control List (CCL) and identify reasons for control which indicate licensing requirements to certain destinations

0	Nuclear & Miscellaneous
1	Materials, Chemicals, Microorganisms and Toxins
2	Materials Processing
3	Electronics
4	Computers
5 Part 1	Telecommunications
5 Part 2	Information Security
6	Sensors and Lasers
7	Navigation and Avionics
8	Marine
9	Aerospace and Propulsion

# My goods have no ECCN

- \* Many commercial goods are not on the Commerce Control List and do not have an ECCN.
- \* These goods are designated EAR99.
- \* EAR99 generally consist of low-level tech, consumer goods, etc. and do not require a license in most situations.
- \* EAR99 items generally ship under “NLR” (No License Required) designation.

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# What if I export without proper authorization?

- \* Responsibility for export compliance rests with the exporter.
- \* Admin. and criminal penalties for violations
- \* Max penalty is \$250,000 per admin. violation (or amount twice the amount of the transaction that is the basis for the violation).

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# Antidiversion Clause

- \* To help ensure that U.S. exports go only to legally authorized destinations, the Bureau of Industry and Security (BIS) generally requires a Destination Control Statement (DCS) on shipping documents.
- \* The Destination Control Statement is a legal statement required by the Export Administration Regulations (EAR) and the International Traffic in Arms Regulations (ITAR) stating that the goods you are exporting are destined to the country indicated in all the shipping documents.
- \* DCS essentially states that the buyer isn't going to take the goods and forward them to another country.
- \* The minimum antidiversion statement for goods exported under U.S. Department of Commerce authority says, "These commodities, technology, or software were exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to U.S. law is prohibited."

# Antiboycott Regulations

- \* The U.S. has an established policy of opposing restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the U.S.
- \* U.S. antiboycott laws and regulations are designed to prohibit or penalize cooperation with international economic boycotts in which the United States does not participate.
- \* Part 760 of the EAR implements the Export Administration Act's (EAA) anti-boycott provisions. U.S. persons are prohibited from taking certain actions with the intent to comply with, further, or support an unsolicited foreign boycott.

# U.S. Foreign Corrupt Practices Act

- \* Congress enacted the U.S. Foreign Corrupt Practices Act (FCPA) in 1977 in response to revelations of widespread bribery of foreign officials by U.S. companies. The Act was intended to halt those corrupt practices, create a level playing field for honest businesses, and restore public confidence in the integrity of the marketplace.
- \* The FCPA can apply to prohibited conduct anywhere in the world and extends to publicly traded companies and their officers, directors, employees, stockholders, and agents. Agents can include third party agents, consultants, distributors, joint-venture partners, and others.



# U.S. Foreign Corrupt Practices Act

- \* The FCPA contains two main components: the anti-bribery provisions, which prohibit payments to foreign officials to obtain or retain business, and the accounting provisions that require issuers to make and keep accurate books and records and to maintain an adequate system of internal accounting controls.
- \* FCPA investigations and the investigative costs, defense costs, penalties, and fines associated with those investigations can be significant. For example, since 2008, Avon Products, Inc. has spent about \$340 million in legal and related costs in connection with an investigation alleging that Avon violated the FCPA by paying or giving improper gifts to government officials in China and other countries

# North American Free Trade Agreement

- \* Tariffs will be eliminated only on goods that originate in one of the four ways defined in Article 401 of the agreement:
  - \* Goods wholly obtained or produced entirely in the NAFTA region
  - \* Goods meeting a specific Annex 401 origin rule
  - \* Goods produced entirely in the NAFTA region, exclusively from originating materials
  - \* Unassembled goods and goods whose content does not meet the Annex 401 rule of origin but contains NAFTA regional value of 60 percent according to the transaction value method or 50 percent according to the net-cost method

# U.S. Foreign Trade Zones

- \* Foreign-Trade Zones (FTZ) are secure areas under U.S. Customs and Border Protection (CBP) supervision that are generally considered outside CBP territory upon activation.
- \* Located in or near CBP ports of entry, they are the United States' version of what are known internationally as free-trade zones.
- \* Authority for establishing these facilities is granted by the Foreign-Trade Zones Board under the Foreign-Trade Zones Act of 1934, as amended (19 U.S.C. 81a-81u). The Foreign-Trade Zones Act is administered through two sets of regulations, the FTZ Regulations (15 CFR Part 400) and CBP Regulations (19 CFR Part 146).

# U.S. Foreign Trade Zones

- \* Under zone procedures, the usual formal CBP entry procedures and payments of duties are not required on the foreign merchandise unless and until it enters CBP territory for domestic consumption, at which point the importer generally has the choice of paying duties at the rate of either the original foreign materials or the finished product.
- \* CBP security requirements provide protection against theft.
- \* Merchandise may remain in a zone indefinitely, whether or not subject to duty.
- \* Goods may be exported from the zone free of duty and excise tax.

# Export Processing Zones

- \* Historically used in developing nations to stimulate economy
- \* EPZs are selected areas in a country that will attract foreign investment to create jobs, expand the industrial base, introduce technology, and create backward linkages between the zones and the domestic economy.
- \* EPZs have some resources that can attract investment such as natural resources, inexpensive skilled labor, or logistical advantages (expedited licensing or building permits, minimal customs regulations, duty-free tax incentives, and developing infrastructure to investor's requirements).

# Customs-Bonded Warehouses

- \* A building or other secured area in which imported dutiable merchandise may be stored, manipulated, or undergo manufacturing operations without payment of duty for up to 5 years from the date of importation.
- \* Authority for establishing bonded warehouses is set forth in Title 19, United States Code (U.S.C.), section 1555. The regulations covering the operation of bonded warehouses is found at 19 CFR 19.

# Customs-Bonded Warehouses

- \* Advantages

- \* Duty is not collected until the merchandise is withdrawn for consumption. An importer, therefore, has control over use of his money until the duty is paid upon withdrawal of the merchandise. If no domestic buyer is found for the imported articles, the importer can sell merchandise for exportation, thereby eliminating his obligation to pay duty.
- \* Many items subject to restrictions may or may be stored in a bonded warehouse.
- \* Duties owed on articles that have been manipulated are determined at the time of withdrawal from the bonded warehouse.

# Intellectual Property Considerations

- \* Intellectual property (IP) refers to a broad collection of rights relating to creations of the mind.
  - \* works of authorship are protected under copyright law;
  - \* Inventions are protected under patent law;
  - \* Marks are protected by trademark law;
  - \* Trade secrets protected by federal and state trade secret law.



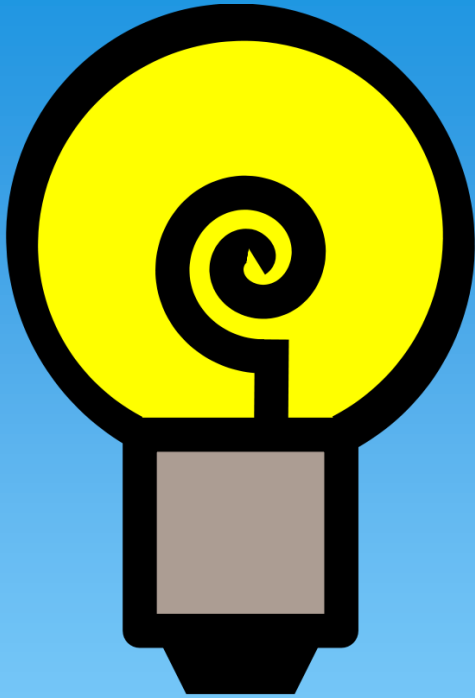
# What is Intellectual Property Law?

- \* Intellectual Property (or “IP”) = Creations of the Mind
- \* Patents, Trademarks, Copyrights, and Trade Secrets
- \* IP law helps protect inventors, businesspeople, and artists of all kinds.

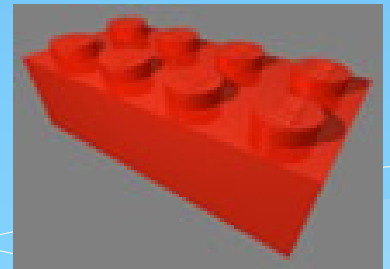
# Sources of Law

- \* **Patents:** 35 U.S.C. § 1, *et seq.*
- \* **Trademarks:** 15 U.S.C. § 1051, *et seq.* (the Lanham Act)
  - \* Most states also have trademark statutes. *See, e.g.,* Ala. Code § 8-12-6, *et seq.*
- \* **Copyrights:** 17 U.S.C. § 101, *et seq.*

# PATENTS



- Patents protect inventions.
- Patent owners may keep others from making, selling, or using the invention for 20 years!
- Examples of Patented Inventions:



# Trademarks



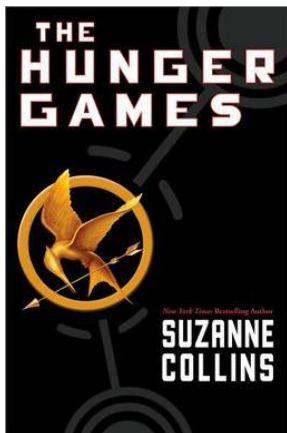
- Trademarks identify sources and distinguish brands from one another.
- You know what you're getting when you see a trademark.
- Trademarks can be a word, phrase, logo, slogan, even a scent . . . just about anything!
- The ® symbol means that the trademark has been registered with the U.S. Patent and Trademark Office. The **TM** or **SM** symbol can be used absent registration.
- Trademarks can last *indefinitely* . . . As long as the trademark is being used in commerce to identify the source of the goods or services.
- Examples of trademarks:



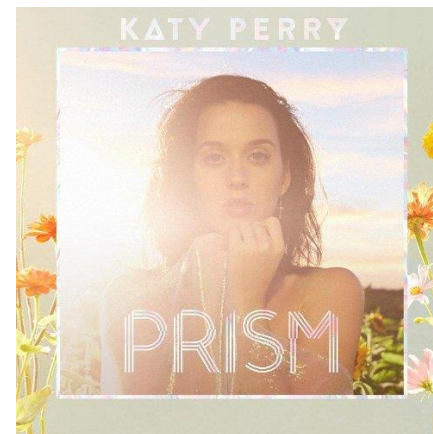
# Copyrights



- Copyrights give creators rights over their literary and artistic works.
- Copyright law protects: books, movies, plays, paintings, sculptures, computer programs, advertisements, maps, technical drawings, and other creative works.
- Copyright law gives the copyright owner the right to reproduce, distribute, perform, display, license, and to prepare derivative works based on the copyrighted work.
- Copyright protection lasts for the *life of the author plus an additional 70 years*, then they go into the **public domain**.



The book **AND** The movie



The music **AND** the cover art

## Protecting Trade Secrets

- A trade secret is a formula, practice, process, design, instrument, pattern, or compilation of information which is not generally known or reasonably ascertainable, by which a business can obtain an economic advantage.
- Non-disclosure agreements (NDA) and non-compete clauses
- The lack of formal protection, however, means that a third party is not prevented from independently duplicating and using the secret information once it is discovered.

# International Agreements - Paris Convention

- \* The U.S. and more than 160 other countries are parties to this treaty.
- \* The Paris Convention sets minimum standards of protection and provides two important benefits: the right of national treatment and the right of priority.
  - \* a signatory country will not discriminate against nationals of another signatory country in granting patent or trademark protection. The rights provided by a foreign country may be greater or less than those provided under U.S. law, but the rights provided will be the same as those that the country provides to its own citizens.
  - \* priority allows the applicant 1 year from the date of the first patent application filed in a Paris Convention country (6 months for a design or trademark) in which to file in other countries.
- \* These substantive obligations have been incorporated into the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) and are binding on WTO members.

# International Agreements – Patent Cooperation Treaty

- \* Currently 152 Contracting Parties
- \* An international patent law treaty which provides a unified procedure for filing patent applications to protect inventions in each of its contracting states.
- \* The PCT allows you to file one “international” application with the U.S. Patent and Trademark Office and designate member countries in which a patent is sought.
- \* National Stage applications must then be filed in each member country, claiming priority to the “international” application.
- \* Filing the international application extends by 18 months the period in which you may fulfill the national requirements for each country.



# International Agreements – Hague System

- \* The Hague Agreement Concerning the International Deposit of Industrial Designs, also known as the Hague system provides a mechanism for registering an industrial design in several countries by means of a single application, filed in one language, with one set of fees. The system is administered by World Intellectual Property Organization (WIPO)
- \* An application may be filed in English, French, or Spanish, at the choice of the applicant. The application must contain one or more views of the designs concerned and can include up to 100 different designs provided that the designs are all in the same class of the International Classification of Industrial Designs (Locarno Classification)
- \* If any designated Contracting Party considers that a design which has been registered for protection in that Contracting Party does not meet its domestic criteria for registrability (e.g. it finds that the design is not novel), it must notify the International Bureau that it refuses the registration for that Contracting Party. In every Contracting Party that does not issue such a refusal, the international registration takes effect and provides the same protection as if the design(s) had been registered under the domestic law of that Contracting Party.

# International Agreements: Trademarks and Copyrights

- \* **Madrid System:** The U.S. is also a member of the Madrid system for the international registration of marks, which allows for filing of trademark protection in member countries.
- \* **Copyright Treaties:** Berne Convention, Universal Copyright Convention (UCC)

# Importation of infringing goods

- \* A patent provides a patent owner with the right to exclude others from utilizing the invention claimed in the patent. (35 U.S.C. 271)
- \* Importation or exportation of an invention claimed in a U.S. patent, even if it is made in a country where there is no patent coverage, qualifies as infringement.
- \* Products that are made in another country by a process that is patented in the U.S., may infringe on U.S. patents when the products are imported into the U.S.
- \* The ITC administers “Section 337” investigations, which can result in a patent owner winning the remedy of an exclusion order. The ITC can, by issuance of an exclusion order, prevent importation of patented goods.
- \* Once the ITC issues such an order, U.S. Customs and Border Protection is directed to block the goods in question from entering the United States.

# Now What: Patents

## We Have IP! Now, what do we do with it?

**Do NOT Disclose/Publish the invention before “patent pending”**

- Nondisclosure agreement
- First to File

### **Why we need one?**

- Market monopoly position for holder
- Revenue and licensing
- Non Monetary
  - First-mover advantage
  - Defense against rival portfolio holders
- Encourage investment

**Patent Portfolio:** a collection of patents owned by a single entity that may be related or unrelated.

# Now What: Patents

## What type of patent? Why?

- Provisional
  - 1 year placeholder
  - Less expensive (\$3,000 - \$5,000)
  - Faster turn around time
- Nonprovisional Utility
  - Full Application
  - More Expensive (\$8,000 - \$12,000)
  - Slower turn around time

# Now What: Patents

What type of patent? Why?

- Design
  - Ornamental (not functional)
  - Less expensive (\$2,000 - \$4,000)
  - Faster turn around time

# Now What: Trademark

We Have IP! Now, what do we do with it?

## Choosing a Trademark

- Choosing a protectable name early on is very important
- Cease and Desist letter
- Expense of rebranding (logos, website, customer loyalty, etc.)
- Early brand recognition / goodwill creation

# Now What: Trademark

Choose a protectable name **EARLY!!**

- **TM distinctiveness**
  - Fanciful, Arbitrary, Suggestive, Descriptive, Generic
- **Searching**
  - Search confusingly similar marks



# Now What: Copyrights

We Have IP! Now, what do we do with it?

- **Protecting your copyright**
  - A copyright exists from the moment the work is created and fixed in a tangible form.
- **Registering your Copyright**
  - Registered works may be eligible for statutory damages and attorney's fees in successful litigation.

# Software and Copyrights

## Copyright vs. Patent for Software?

### Copyright Protects Expression of an Idea, Not Idea itself

- This allows for some protection on a literal level, but also allows competitors to design around the idea by expressing it differently, i.e. by rewriting the underlying code differently to achieve the same functionality.

### Patent law protects the underlying processes and inventive features

- This allows you to protect the actual invention expressed in the source code and the object code.

# Software and Trade Secrets

## Trade Secret vs. Patent

- Software innovators may find that, in some cases, trade secret law now offers the best method for protecting proprietary software advancements.
- Once opting for trade secret protection, a software company must take reasonable steps to maintain the secrecy of the trade secret.

*Inventory and identify trade secret materials*

*Mark trade secret protected materials*

*Keep software out of open source*

*Require employee confidentiality agreements*

*Adopt confidentiality policies*

*Ensure third parties sign confidentiality agreements*

*Establish adequate physical security*

## Monetizing Created Intellectual Property

### 1. Manufacture / Sell

- A holder of intellectual property may decide to create products and sell them himself

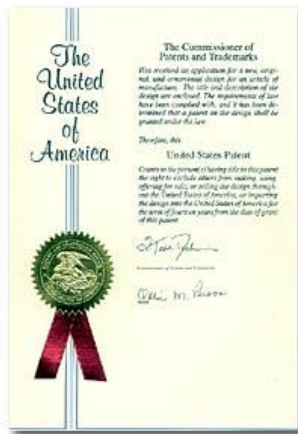
### 2. License

- A holder of intellectual property may decide to license the intellectual property right to a third party
  - Exclusive, and
  - Non-exclusive

### 3. Other

- Defending off litigation costs (shield)
- Keeping competitors at bay (sword)

# Client Examples: What's Next?



## Geolocation Device Start-Up

Client is a start-up company made of a group of engineers and technology personnel. The company utilizes geolocation software and a device they created in-house. The company is hoping to secure investors.

What's next?

## Geolocation Device Start-Up

- Patent?
- Copyright?
- Trade Secret?
- Trademark?

# What's Next: 2

## Client with In-house Algorithm

Client has a proprietary algorithm used to create quotes for specific bids on construction projects. The algorithm is stored and calculations are done on a private/local server. This algorithm took the Founder years to create and the Client wants to protect it at all costs.

What's next?



## Client with In-house Algorithm

- Patent?
- Copyright?
- Trade Secret?
- Trademark?

## Individual Inventor of Drone Parts

Client has been an avid drone user for many years. Over time, she has made several advancements to her drones that allow them to fly with more control. Specifically, she added a “stability flap” that has a new function. The “stability flap” also makes the drone look unique and “cool.”

What's next?

## Individual Inventor of Drone Parts

- Patent?
- Trademark?
- Copyright?
- Trade Secret?

**Enforcing your rights . . .**  
**Patent, Trademark, and Copyright**  
**Infringement**

# Things to Remember

- Intellectual property rights **protect the interests of creators** by giving them property rights over their creations.
- IP helps all types of people, from inventors to artists to businesspeople.
- 4 Main Types of IP
  - **Patents**
  - **Trademarks**
  - **Copyrights**
  - **Trade Secrets**
- Want to learn more?
  - World Intellectual Property Association: [www.wipo.int](http://www.wipo.int)
  - Ask Me! [www.adamsiplaw.com](http://www.adamsiplaw.com)

# QUESTIONS?

**J. Hunter Adams**

**(251) 289-9787**

**hunter@adamsiplaw.com**