Intellectual Property Update for the Financial Services Industry

March 7, 2007

Presented by:

Steven M. Bauer
Joseph A. Capraro, Jr.
James H. Shalek
Jon A. Baumgarten
Christopher Wolf
Mark W. Batten
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<th>Time</th>
<th>Session Title</th>
<th>Presenter(s)</th>
<th>Notes</th>
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<td>Patents for the Financial Services Sector</td>
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Patents for the Financial Services Sector

(still viable almost 10 years after State Street Bank)

Presented by:

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Overview

- U.S. Patents
- International View
- Recent Patent Trends in the Financial Services Sector
- Business Method Patent Data
- Financial Services Patent Data
- Conclusion
Patents – Deal

- Patentee: Full disclosure of invention
- Federal Law: Right to exclude others from making, using, offering for sale, or selling patented invention
- Limited Monopoly: 20 year period to prevent third parties from copying, even from independently developing infringing technology
- New, improved, or combination - business method
  - Plus a business advantage - faster, better, safer, lower cost, easier use...
  - Examples include business systems, business software, display (GUI) features, process improvements, including improved business methods, tax methods, insurance methods...
Legal Standard for Patentability

- Utility - any beneficial use
- Novelty - not already described or patented elsewhere, or known, used, or available to others in the US
- Not obvious to one of ordinary skill in the relevant art
- "[A]nything under the sun made by man" can be patented
- Reality: Novelty plus business advantage
Why Patent?

- Inventions are business assets
  - Prevention of copying
  - Retention of market share
  - Marketing
  - Blocking competitors
  - Licensing/cross-licensing
  - To keep up with competition
  - Increase the value of the company
Patents versus Trade Secrets

- Cannot always rely on trade secret protection
- *State law* protection
- Could the business method be better protected by keeping it secret – in the back office
- Protects internal information that:
  - is not disclosed to the public;
  - can not be reverse engineered from a public disclosure; and
  - which the company took steps to protect from disclosure.
- Bankers relied on a "first mover advantage" to turn innovation into profits, and they protected their secrets by keeping them in the back room – Clifford S. Stanford, Assistant General Counsel, Federal Reserve Bank of Atlanta
- Example: *Coca-Cola’s Formula*
U.S. Business Method Examples

- **Banking** – U.S. 7,107,243
  - Automated bill payment system

- **Banking** – U.S. 7,072,851
  - Credit card use rebate program for use with outstanding loans

- **Banking** – U.S. 7,010,509
  - Funding an account based on the financial relationship of a customer

- **Trading Simulation** – U.S. 7,149,715
  - Simulating volatility of option prices

- **Tax** – U.S. 6,567,790
  - Establishing a grantor retained annuity trust funded with nonqualified stock options

- **Risk Management** – U.S. 7,152,788
  - Managing risk of financial transactions with location information
International View

- A few countries allow some form of business method patents, but strict requirements
  - Technical effect
  - Technical implementation fully described
  - A concrete effect, phenomenon, manifestation, or transformation
  - Apparatus / hardware

- Canada, Europe, Japan, Australia, Korea, China, Hong Kong
International Business Method Examples

- **Banking** – CA 2218612
  - Electronic Monetary System for Customers
  - Pending JP 2002230448 & EP 0823105

- **Banking** – JP 2141163
  - Electronic Currency Exchange
Trend Towards more Business Method Patents

▪ Goldman Sachs – Chief Patent Officer John Squires
  – Hundreds of patent applications in the pipeline
  – When commenting on financial services patents, he noted that "increased filings as the convergence of banking and technology is irreversible"

▪ Citigroup – Chief Information Officer Marv Adams
  – "Because [financial services] is such a technology-centric business these days, financial services is following the same path as other technology businesses in terms of patents."
Trend Towards more Business Method Patents

- **Swiss Re. Banks** – Head of IP Frank Cuypers
  - Filed 50 patents from 2001 to 2005
  - When commenting on the need to build their patent portfolio, he noted: "We thought we would build our e-business module and we’d be at someone else’s mercy."

- **GE Insurance Products** – VP Intellectual Asset Management Phil Hargrove
  - Filed 35 patents from 2001 to 2005
  - When commenting on the need to increase filings, he questioned: "if one of our competitors had a patent on this technology, could they block us from using it?"
Where are the Financial Services Industries going?

- Collegial atmosphere turns into aggressive atmosphere
  - When: Economic uncertainty & increased competition
  - Example: Telecom industry – 1990s

- Patent portfolio is an important asset when a competitor sues for patent infringement

- Being able to cross license may
  - decrease licensing fees paid out; and
  - provide licensing revenue
Financial Services Patent Lawsuits

  - Patent infringement lawsuit – U.S. 6,611,815
  - Administering an annuity product having guaranteed lifetime payments

- Debt Resolve, Inc. v. Apollo Enterprise Solutions (D.N.J. 2007)
  - Patent infringement lawsuit – U.S. 6,330,551 & U.S. 6,954,741
  - Online debt collection system
  - Apollo has pending patents that it claims are significantly different than Debt Resolve’s asserted patents
Business Method Patents
U.S. Patent Office Class 705

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Tech Center 3620 – Electronic Commerce

- U.S. Prosecution
  - Timing – 4-10 years
  - ~50% of all applications allowed
  - Estimated 10% to 20% of class 705 applications allowed

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Option for Faster Examination

Accelerated Examination

- USPTO goal to complete examination within 12 months
- Cost – at least 2 to 3 times higher
- Requirements
  - Prior art search
  - Description of prior art and relevancy to invention
  - Maximum of 20 total claims and 3 independent claims
  - File electronically
Business Methods – Class 705
Issued Patents & Published Applications

IBM - 218% Increase
Pitney Bowes - 115% Increase
Microsoft - 864% Increase
Banks Issued Patents & Published Applications

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# Financial Services & Technology

## Issued Patents & Published Applications

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<td>Diebold</td>
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Conclusion

- Business method patents remain viable!
  - Patentable subject matter: hardware, software, uses/applications, processes, designs, business methods including insurance products and banking products
  - Reality: Novelty **plus** an actual business advantage merits pursuing an invention disclosure form

- Financial services companies are filing more patent applications each year
  - First mover advantage (e.g., telecommunications industry)

- **Inventions = valuable business assets**

- **Patent portfolio = competitive advantage**
  - Bargaining chip
  - Defense mechanism
Current Trends in Patents Relating to Trading and Financial Services

Presented by:

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Financial Patent Basics

- The U.S. takes a broad view of what constitutes patentable subject matter
- Under U.S. law, patentable subject matter includes, among other categories, any new and useful:
  - Process
  - Machine
Financial Patent Basics

- A "process" includes a method of doing business, whether or not technology is involved in its implementation
  - State Street Bank v. Signature Financial Group (Fed. Cir. 1998) ruled that a business process patent may be granted on the same basis as any other invention
  - Following Ex Parte Lundgren (BPAI 2005), the patent office no longer requires that business method inventions apply, involve, use or advance the "technological arts"

- Where software or electronics is involved, the invention can also be claimed as a system (i.e., a "machine") capable of performing the method
Financial Patent Basics

- The USPTO created U.S. Patent Class 705 to address the increase in patent filings directed to methods and systems for processing financial data.

- Class 705 applies to "apparatus and corresponding methods for performing data processing operations ... uniquely designed for or utilized in the practice, administration, or management of an enterprise, or in the processing of financial data."

- The subset of financial patents on which we focus today relates to trading.
Patents Issued in U.S. Class 705 Involving Trading

- 2004: Projected 128, Actual 66
- 2005: Projected 247, Actual 66
- 2006: Projected 419, Actual 66
- 2007P: Projected 477, Actual 66

+273% over 3 YRS
Patents Directed to Trading

Patents capturing inventions directed to trading can take many forms. These include:

1. Ways to display information on a graphical user interface;
2. Ways in which exchanges and financial services companies process transactions;
3. Communications systems used to effectuate business transactions;
4. Ways of storing and using data;
5. Ways to aggregate trading information;
6. Ways in which they facilitate regulatory compliance; and
7. Hybrids of these categories
1. Graphical User Interface to Implement a Method

- Trading Technologies: U.S. 6,766,304
  - Over 20 lawsuits filed
  - At least 16 settlements to date

- Claims are directed to a popular "ladder-like" computer display and electronic trading method
  - The "Prc" column lists the price for a bid or ask for a security
  - The "AskQ" column lists the quantity requested at that price
  - The "BidQ" column lists the quantity bid on at that price
  - The columns to the left reflect additional information such as the current trading volume, time, and current order information
2. Method for Processing Transactions

- International Securities Exchange: U.S. 6,618,707
- Sued Chicago Board of Options Exchange in November 2006
- The patent claims an automated options exchange
  - Matches and allocates orders of options among professionals and the public
  - Alleged to increase fairness and liquidity
3. Communications Used in Trading

- eSpeed: U.S. 6,032,137 (et al.)
- Sued BrokerTec in January 2003 seeking $64 million in damages
- Patents disclose bond trading system
  - Including a series of workstations communicating with a central server
  - Orchestrates the trading process in accordance with a set of predetermined rules
- Jury found the patent invalid for failure to adequately describe the system
4. Storing and Using Data

- Papyrus: U.S. 5,774,877 (et al.)
- Sued NYSE in January 2004
- Patents disclose a method of managing the activities of one or more floor brokers situated on a trading floor
  - A computer stores pending instructions for each broker
  - Delegates instructions to the broker having the fewest pending instructions
5. Aggregating Trading Information

- Lava Trading: U.S. 6,278,982
  - Sued Sonic Trading
  - Claims disclose software that aggregates and integrates securities trading and order placement information from various alternative trading systems
6. Facilitating Regulatory Compliance

- Digital Assurance Certification, LLC ("DAC"): U.S. 7,155,408
- Sued Municipal Advisory Council of Texas in January 2007
- Claim 47 of the DAC patent begins: "A computer-implemented method of managing bond information to facilitate compliance with Securities and Exchange Commission (SEC) Rule 15c2-12 ...."
- Steps in the claim include:
  - registering an issuer user;
  - associating bonds with the issuer;
  - determining due dates for filings required by SEC Rule 15c2-12;
  - generating filing reminders;
  - determining if filings were received on time; and
  - generating and sending failure to file notices to brokers and dealers
The complaint states that:

- SEC Rule 15c2-12 requires that Broker-Dealers participating in a municipal bond offering ensure that certain continuing disclosure requirements are met over the life of the bonds
- DAC provides disclosure through electronic postings and transmissions
- DAC has a web-based reporting system that has been approved by an SEC "no-action" letter
- The defendant’s website, which is also directed to continuing municipal bonds disclosures, allegedly infringes DAC’s patent
7. Hybrid Graphical User Interface, Method for Processing Transactions and Storing Data

- Reuters v. Bloomberg
  - U.S. 5,924,083 (et al.)

- The patent discloses:
  - An automated dealing system that matches trades and performs calculations to determine the activity of a market
    
    AND
  
  - A graphical user interface which gives each trading entity a personalized display of offers and bid prices
    
    AND
  
  - A network with a host for receiving and storing orders for multiple trading instruments
Patent Infringement Remedies

- **Damages**
  - Lost profits
  - A reasonable royalty
  - Up to 3x actual damages for willful infringement

- **Injunction**
  - eBay v. MercExchange differentiated between competitors and non-competitors
    - Non-competitors are less likely to win an injunction
    - Patents of competitors are now the greater threat
Interests of Non-Competitors

- Interested in extracting money through lawsuits and licenses
- Industry competitors are on roughly the same playing field
  - Resolving a lawsuit costs money, but does not materially change the defendant’s competitive position
  - Competitive disadvantage will only arise out of the relative use and cost of use of the patent
- Ultimately, a lawsuit by a non-competitor is less problematic than one by a competitor
  - Less risk of injunction
  - Patentee wants money, not market share
Approaches to Dealing With Non-Competitors

- **Approach:**
  - Deal with threat industry-wide
    - Share litigation costs
    - Show collective strength
  - Example: The major bar code scanner manufacturers filed a suit, collectively, against Lemelson

- **Associated indemnification issues:**
  - Suppliers
  - Customers

- **Dynamics within the industry:**
  - Agreement that each party is free to settle independently
    - Avoid a "boycott"
    - Jostling for position among group members to settle at a competitive advantage
Approaches to Dealing With Competitors

- **Real threat to business**
  - Injunction more likely to be granted to a competitor
  - Risk of surrendering a market advantage is much greater

- **Therefore, there is a compelling need to:**
  1. Develop a patent portfolio
     - Offense: source of revenue and/or market advantage
     - Defense: cross-license with competitors
  2. Monitor competitors’ portfolios and proactively:
     - Clear products for freedom to operate
     - Redesign, as needed, to avoid infringement

- Financial transactions are increasingly a global business
  - Company branches operate in different countries
  - Transactions are performed electronically and across borders
  - A problem in one jurisdiction can become a worldwide issue

- Foreign patent office practice regarding business method patents is evolving
  - Many foreign patent offices do not allow pure business method patents
  - However, you can obtain business method-style patents in foreign patent offices so long as a technical effect or implementation is an essential part of the patent
The Financial Patent Landscape: Future Trends (cont.)

- Foreign courts offer attractive forums for patent holders

- An injunction in one country can be problematic in cases where:
  - The business has branches in multiple countries
  - Financial transactions extend across borders

- By way of example, German courts offer meaningful advantages over their U.S. counterparts
  - Technically trained judges
  - No discovery
  - Lower cost
  - Decisions within two years
  - Generally perceived as favorable to patentees
Financial Privacy

Presented by:

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Why are Privacy and Data Security Important for My Business?

- Privacy issues (particularly failures) MAKE HEADLINES!
  - Damage to your reputation
  - Legal liability for failing to take adequate precautions to protect privacy

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December 18, 2006
LINK BY LINK
An Ominous Milestone: 100 Million Data Leaks
By TOM ZELLER Jr.

ON Thursday, Kevin Poulsen, senior editor for Wired News, noted in his blog (blog.wired.com/7/bstroke/) a milestone in the number of records that have been compromised in data breaches since the ChoicePoint breach nearly two years ago:

"Rapid-fire announcements this week by U.C.L.A. (800,000 records) and Acciona (130,000) moved the total to the threshold, when Boeing revealed yesterday that a laptop recently stolen from an employee's car contained names, Social Security numbers and other data on 382,000 current and former employees of the aerospace giant — bringing the total to a grim 100,152,801 records (as of this post)."

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January 13, 2007
H.P. Investigator Pleads Guilty to Identity Theft and Conspiracy
Major Financial Privacy Laws

- Fair Credit Reporting Act (FCRA)

- Fair and Accurate Credit Transactions Act (FACTA)

- Gramm-Leach-Bliley Act
  - **Privacy Rule** imposes privacy and security obligations on financial institutions
  - **Safeguards Rule** requires institutions to have a security plan to protect the confidentiality and integrity of personal consumer information
Fair Credit Reporting Act

- Enacted in 1970 to promote accuracy, fairness, and privacy of personal information compiled by credit reporting agencies (CRAs)

- First federal law to regulate the use of personal information by private businesses

- FCRA’s primary protection is its requirement that CRAs follow "reasonable procedures" to protect the confidentiality, accuracy, and relevance of credit information
FCRA: Permissible Uses of Credit Reports

- Credit reports contain basic identifying information (e.g., name, address, SSN) along with other personal financial and public record information.

- FCRA limits the range of purposes for which credit reports may be used:
  - Applications for credit, insurance and rentals for personal, family or household purposes
  - Employment (includes hiring, promotion, retention)
  - Court orders (includes grand jury subpoenas)
  - "Legitimate" business needs in transactions initiated by the consumer for personal, family, or household purposes
  - Account review
  - Professional Licensing
  - Child Support payment determinations
  - Law enforcement functions
Fair and Accurate Credit Transactions Act

- FACTA and its implementing regulations amended FCRA to improve protections for
  - Medical information
  - Social Security numbers
  - Records disposal

- FACTA also provides identity theft protections
  - Masked Credit Card Numbers
  - National Fraud Alert System
  - Free Annual Credit Reports
Failure to Comply

- Federal Enforcement – Federal Trade Commission (FTC) can punish violations of FCRA or FACTA as "unfair or deceptive trade practice(s)"
  - Knowing violations may be fined up to $2,500 per violation
  - Continuing violations may be fined up to $10,000 per violation

- State Enforcement – State Attorneys General can bring suits on behalf of their residents to recover actual damages
  - Willful or negligent violations may be fined up to $1,000 per violation

- Private Civil Lawsuits – Private plaintiffs may recover actual damages
  - Plaintiffs can recover $1,000 per violation without showing harm for willful and knowing violations
Gramm-Leach-Bliley Act

- Enacted in 1999, the GLBA sets forth financial privacy rules and safeguards to protect financial information.
- Applies to businesses that are "significantly engaged" in providing financial products or services to consumers.
- GLBA protects "nonpublic personal information," which is personally identifiable financial information:
  - Provided by consumer to financial institution
  - Resulting from any transaction with the consumer or any service performed for the consumer
  - Otherwise obtained by the financial institution
  - Does NOT include publicly available information
GLBA Privacy Rule

- Financial Institutions may NOT disclose nonpublic personal information to a nonaffiliated third party unless
  - Institution gives prior written or electronic notice to the consumer of the potential for such disclosure
  - Consumer is given the opportunity to "opt-out"

- BUT...many exceptions allow otherwise prohibited forms of sharing. For example:
  - Facilitate transaction requested by consumer
  - Service or maintain consumer’s account
  - To prevent fraud or unauthorized transactions
  - At the request of law enforcement

- Financial Institutions must give consumers annual privacy policy notices, which include a list of the information they collect
GLBA Safeguards Rule

- Establishes process-oriented standards for financial institutions relating to administrative, technical, and physical safeguards. The rule is aimed at
  - Insuring the security and confidentiality of customers’ records and information
  - Protecting against anticipated threats or hazards to the security or integrity of such records
  - Protecting against unauthorized access to or use of such records or information that could substantially harm or inconvenience any customer
How Important Is GLBA?

What can a tugboat tell us about data security law?

- *TJ Hooper*: duty of care requires consideration of best available technology, rather than simple reliance on industry standards

- To avoid enforcement actions and comply with state laws, businesses often must take "reasonable" precautions

- GLBA’s requirements are becoming a touchstone for what is "reasonable" with respect to the protection of personal information
The "Interagency Guidelines on Response Programs for Data Security Breaches" issued in March 2005
- Comptroller of Currency
- Federal Reserve Board
- Federal Deposit Insurance Corporation
- Office of Thrift Supervision

Financial institutions must develop and implement a response program to address incidents of unauthorized access or use of customer information that may result in substantial harm or inconvenience
- Limited to "sensitive customer information"

Flexibility standard: response programs may be based on institution’s size, complexity and nature of operations
Hot Topics for 2007

- Federal Privacy Legislation
  - Privacy law landscape is a patchwork of federal, state and other laws, regulations and standards of conduct
  - More comprehensive, preemptive legislation may be forthcoming (fueled by support from high-tech giants like Microsoft, Hewlett-Packard and others)

- Enhanced Data Security Standards
  - What is "reasonable"?
    - FTC Enforcement actions (e.g., Guidance Software)
    - State enforcement (e.g., Humana, Ameriprise)
  - Staying alert to vendor risks

- Reducing Collection and Distribution of SSNs
Hot Topics for 2007 (cont’d)

- State Security Breach Notification Laws
  - 34 states have already followed California’s lead and enacted security breach notification statutes
  - Other states have legislation in the making and still more states are likely to follow

- Corporate Privacy Policies
  - Do you have a privacy policy?
  - Does your policy accurately reflect your practices?

- Compliance with Increasing International Regulation
Copyright, Including Monetization of Information Assets, In the Financial Services Industry

Presented by:

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Copyright Subject Matter

- Not limited to "entertainment" and "art" products
- Instead encompasses a broad variety of information:
  - narrative and data forms;
  - human intelligible and machine readable formats;
  - whether designed for internal study and analysis or external exposure and consumption; and
  - whether mundane or novel.
- Must meet minimal level of "originality"
  - Need not be inventive
- Does not protect mere ideas or systems
  - But is not limited to literal duplication
Copyright Subject Matter (cont.)

- Financial service companies routinely generate, collect or transmit myriad forms of information and data in the normal course of their business. Examples of "business information" that are subject of copyright:
  - Reports
  - Memoranda
  - Promotional material
  - Sales literature and manuals
  - Directories
  - Graphic representations
  - Some forms and charts; tables
  - Correspondence and emails and their attachments
  - Dynamic and static databases
Copyright Subject Matter (cont.)

- Formally constructed and informally accumulated assemblies of data, facts, financial quotes, trend points, and the like can be protected by copyright as a "database" or "compilation"

- Minimal level of creativity in selection, coordination or arrangement is required

- Compilation or database protection under copyright has been burdened in some cases by judicial strictures and legislative inaction, but is viable and useful
Copyright Advantages

- Copyright in databases and other business information:
  - Is simple and inexpensive to formally secure and perfect
  - Can be a useful legal tool in providing access to Federal Courts and significant substantive and remedial advantages
  - Can provide a desirable alternative or supplement to pursuing other legal relief by avoiding disabilities that apply to the necessary components of a patent, trade secret, trademark or contract claim
  - Can serve as a legal vehicle to constrain the misuse of information and materials by departing and other employees

- Copyright controls various forms of reproduction that does or may be inferred to result from copying

- Importantly, in the digital world, copyright includes the right to control adaptations and electronic transmission of its subject matter

- Copyright can serve as a legal predicate for monetizing information and technology assets of a company. More below.

- Copyright protection outside of the United States can similarly (and in many cases, even more easily) be attained and leveraged
Acquiring Copyright

- Copyright attaches *automatically* to its subject matter, without need for government filing, registration, or public notice.

- An inexpensive form of registration with the U.S. Copyright Office *may* be made, offers several practical and remedial benefits, and in many cases is later required before filing a lawsuit in this country.

- But registration is not a condition to the acquisition of U.S. copyright, and suit may be brought here after registration for infringements committed earlier. Even these minimal registration provisions are generally *not* applicable to securing copyright protection broadly outside the United States.
Acquisition of Copyright (cont.)

- However, the rules of the road for acquisition of copyright *ownership* or *exclusivity* are commonly overlooked and fatal to effective exploitation. More below.

- Note: *Defensive* considerations pertain to the copyright interests of others:
  - Designing or creating websites
  - Corporate on-line or other information systems
  - Company software
**Monetization**

- Business information and data is commonly treated as simply an informative or useful adjunct to a company's business or service, and frequently as a hopelessly stale by-product.

- Some companies increasingly come to recognize that their business information -- even their seemingly mundane and everyday information output, both internal and disseminated, current and archival -- *may be monetized*
  - Largely the result of Internet-enabled markets for searchable knowledge formats; and advances in parsing, extraction–repurposing, and similar software.
Monetization (cont.)

- Similarly, an internal company tool, such as an initially custom software application, can be capitalized upon in external markets.
- In all these cases -- "information" or "tool" -- copyright can be useful if not essential basis for exploitation; yet the failure to secure copyright ownership can be fatal.
Copyright Ownership and Exclusivity

- Must generally be acquired as the automatic result of the creation of a work by a natural person; or the transfer of copyright by a written, signed instrument from, or "employment for hire" of, the natural creators.

- Is no longer conferred by *mere* engagement, retention, or supervision of the natural creator, nor merely by payment of even substantial sums.

- Exclusive rights (licenses) are subject to the *same* rules as copyright ownership. *Non*-exclusive rights of use, only, may be acquired by implication, oral or unsigned conveyance, or tacit understanding.
Copyright Ownership and Exclusivity (cont.)

- Paying a great deal to a consultant, independent contractor, vendor or commissioned party does not mean you:
  - Own copyright in the work product
  - Have the exclusive right to exploit copyrightable work product, or
  - Can preclude the natural creator or any other party from exploiting, the information or other products of that engagement or transaction;
  - Are insulated from the possibility of having your own use of those products limited or forbidden.
Copyright Ownership and Exclusivity (cont.)

- Obtaining copyright by "employment for hire" is more constrained than in the past.
  - Works created entirely by full time employees
    - Copyright is owned by the employing entity
  - Works created in the course of commissioned or sub-contracted work, or by independent contractors, consultants, vendors, "special" and part time employees
    - Can be treated as a "work for hire" in some but not all cases
    - Can be owned by assignment and exclusively licensed
    - Choice of work for hire, assignment, or exclusive license is subject to varying legal, business and practical considerations. Use of work for hire can implicate employment and other laws (eg, al. Labor Code)
Copyright Ownership and Exclusivity (cont.)

- Simple agreements to shared or joint ownership are frequently proffered as a "solution" to exclusivity in these cases
  - This commonly is a too-facile solution with misunderstood consequences, for exploitation of the work in both the United States and abroad.

- Assignments, exclusive and non-exclusive licenses, and other arrangements concerning copyright ownership and exclusivity
  - May be simply and inexpensively recorded with the U.S. Copyright Office, whether or not the work has been registered, and can be beneficial though not mandatory.
Other Tools and Issues

- Copyright may be unavailing where material is not minimally original; where only "ideas" are taken; or where similarity is coincidental
  - In such cases, trade secret law, misappropriation and other business torts under varying state laws, Federal anti-circumvention, computer and telecommunications laws, patent law and even common law trespass may be useful to protect a company's interest in its information and technology assets against misuse

- Simple contract is a commonly overlooked tool
  - Can restrict potentially competitive and other use of a company's information by its customers and others directly exposed to it. In some cases may be passed forward to others to whom they may provide access and redistribution opportunities
  - Click-through and other facilitated on-line forms of agreement can be useful
  - Contract may be formed by notice and implied assent in some cases
Other Tools and Issues (cont.)

- Digital Rights Management (DRM), "copy protection", and forensic and non-forensic "watermark" technologies are increasingly deployed to work in tandem with legal vehicles to protect copyright assets.

- The monetization or exploitation of information assets in regulated industries may involve agency (e.g., SEC) oversight or rulings.
Other Tools and Issues (cont.)

- The *processing or handling* of a company's information assets may invoke other areas of law that can expose the company to substantial risks of liability
  - Allegations of infringement of business method patents
  - Mishandling of personally identifying information and similar privacy concerns
Intellectual Property Update for the Financial Services Industry

Employment Matters

Presented by:

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What Can We Protect?

- Anything that is:
  - Not widely disclosed to employees
  - Not known by competitors or the public
  - Valuable to the employer and harmful if disclosed to competitors
  - Measures taken to ensure confidentiality
  - Difficulty/cost of acquiring the information
  - Ease of acquisition/development by others

- Not: general knowledge and skills, even if developed over time and at some expense
Employees have a legal obligation not to misuse confidential information, even absent an agreement
- Mere preparation vs. harm to current employer
- Limits on solicitation to join in departing
- No right to take documents or property
- No right to use confidential info post-employment

But what is "confidential" information?

The judge may say: information protected by an agreement or otherwise
So: Agreements Are a Must

- At a minimum, confidentiality agreement
  - Most likely to be upheld of the restrictive covenants – but as we’ll see, not a silver bullet
  - Spell out what is protected
    - Not limited to what is patentable, or copyrightable
  - No time limit on protection

- Other options:
  - Inventions agreement
    - Some such agreements extend post-employment to protect intellectual property
    - Also easier to enforce than other restrictive covenants
  - Noncompete agreement
    - Only indirect protection of confidential info
    - More difficult to enforce
Other Protective Steps

- Exit interviews
  - Inventory of access to trade secrets/confidential info
  - Location and return of all storage devices – PCs, phones, thumb drives

- Immediate exits
  - Don’t require or provide advance notice
  - Shut off access by the time notice is given

- Pre-employment covenants
  - Full disclosure of agreements with prior employer
  - Representation that no confidential info is coming along
  - And that employee can do the job without such info
An Ounce of Prevention

- Liability can be difficult even with an agreement
  - Consideration
    - Continuation of employment may no longer be enough
    - Significant changes in employment situation may invalidate prior agreement
  - Other factors
    - Seniority and compensation of employee
    - Significance of restriction in limiting future employment
      - Geography/term
      - Other impacts
    - Employee’s access to corporate goodwill (sales v. office worker)
An Ounce of Prevention – (cont.)

- Judicial remedies are uncertain
  - Injunctions are difficult
    - Abbreviated record
    - Need for speed limits pre-suit investigation
    - Judicial predilection to permit competition and to be suspicious of trade secret claims
  - Damages are limited and hard to prove
    - Must identify damages caused by improper use of trade secrets
    - Which secrets?
    - Unlikely to recover damages for competitive harm per se
  - Cases tend to be expensive to litigate
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