

Investment Management and Hedge Funds – What's Happening Now?

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The Importance of Intellectual Property

- ▶ Necessary to protect intellectual property
- ▶ What is intellectual property:
 - Trademarks
 - Copyrights
 - Patents
 - Trade Secrets

Trademark

- ▶ What is a trademark?
 - Any word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods or services of one party from those of others.



- ▶ Trademarks are relevant to all types of companies.
- ▶ It is important to safeguard your brand.
 - Stand out from the competition.
 - Number of financial trademarks has skyrocketed.

What type of trademark should I choose?

- ▶ Types of trademarks
 - Generic
 - Descriptive
 - Suggestive
 - Arbitrary
 - Fanciful
- ▶ Acronyms

What type of trademark should I choose?

- ▶ Likelihood of confusion - factors
- ▶ Conservative approach may be best for financial services companies.
 - Trademark Office knowledge of financial industry
 - “Both parties ... seek out wealthy individuals and institutions desiring investment opportunities.” *Lane Capital Mgmt. Inc. v. Lane Capital Mgmt. Inc.*, 15 F. Supp. 2d 389 (S.D.N.Y. 1998), aff’d 1999 U.S. App. LEXIS 22975 (2d Cir. Sep. 22, 1999)
 - Tarnishment

But first...clear the trademark!

- ▶ Trademark rights are distinct from company name rights.

“'[a]ll the Greek gods were taken' and '[s]o were many animals, mountain ranges, rivers, roads – even solar systems'. [T]he task of finding a name for his fund 'was harder than naming [his] children.'” *Wall Street Journal article, 2005*
- ▶ Google searches/USPTO searches are unreliable.
- ▶ A trademark attorney will conduct:
 - USPTO search using powerful search tools
 - Comprehensive search including common law, business names, etc.
- ▶ Domain name availability may be key.
- ▶ International considerations
- ▶ Invest upfront

Should you register your trademark?

- ▶ Common law
 - Trademark rights arise from use.
 - No costs.
 - Some ability to prevent others from using the mark.
- ▶ Federal registration
 - Notice and citable by the USPTO
 - Presumptive evidence that you own the trademark and that it is valid
 - Exclusive right to use trademark nationwide
 - Ability to prevent others from using and registering a confusingly similar mark
 - Creation of tangible asset of your trademark rights

Remember to enforce your trademark

- ▶ Give notice of trademark rights

®

TM

- ▶ Actively police; order a watch service

Recent developments in Trademark Law

- ▶ Cases that affect Financial Services Industry
 - *Oriental Financial Group, Inc. v. Cooperativa de Ahorro y Crédito Oriental*, No. 15-1009 (1st Cir. August 3, 2016).
 - *Arrowpoint Capital Corp. v. Arrowpoint Asset Mgmt., LLC*, 793 F.3d 313 (3d Cir. 2015)
 - *Hana Financial Inc. v. Hana Bank*, 135 S. Ct. 907 (2015)

Copyright

- ▶ What does copyright protect?
 - Original work of authorship that is fixed in an any tangible medium of expression.
- ▶ Types of copyrightable materials
 - Includes: Software, databases, forms, websites, procedural manuals.

Who owns the copyright?

- ▶ Creator is presumed to be the author of owner.
 - Ownership of copy is distinct from ownership of copyright.
- ▶ Work for hire
 - Independent contractors
- ▶ Rights of ownership

Use copyright notice and obtain registration

- ▶ Copyright notice
 - © ABC, Inc.
- ▶ Benefits of Copyright Registration
 - Low cost

Trade Secrets

- ▶ What is a trade secret?
 - Has independent economic value
 - Not generally known
 - Reasonable efforts to maintain secrecy
- ▶ Business processes and plans, financial information, customer lists and surveys, computer programs.
- ▶ Importance of protecting trade secrets

Protect your trade secrets

- ▶ How to protect your trade secrets:
 - Hiring agreement, Confidentiality/non-disclosure agreements/Employee policies
 - Clarify prior innovation rights of a new employee
 - Transfer ownership of innovation during employment
 - Is employee subject to non-disclosure obligations from past work?
 - Third party agreements – clarify ownership issues
 - Restrictive covenants/Non-compete agreements
 - Physical security
 - Information security
 - Common law – tort of misappropriation of trade secrets
 - UTSA

What happens if your trade secret is stolen?

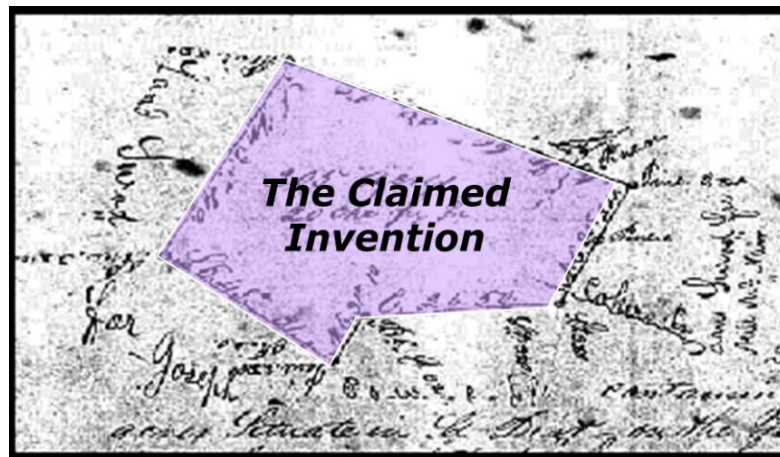
- ▶ Recourse
 - Common law
 - UTSA
- ▶ Remind employees to respect intellectual property of those outside of the company.

Domains and Web Sites

- ▶ Domain name strategy
 - Domain registration
 - Make sure domains are centrally managed
 - Conduct domain audits
 - Enforce brand rights
- ▶ Enforcement
 - Anticybersquatting Consumer Protection Act –
 - Uniform Dispute Resolution Policy
- ▶ Web Sites
 - Make sure company owns computer programs, written materials.
 - User agreement, terms and conditions, disclaimers
 - Licenses, approvals, consents

What is a patent?

- ▶ A patent generally includes:
 - a description of the invention
 - one or more drawings illustrating the invention
 - at least one claim defining the invention
- ▶ The claims provide the metes and bounds of the right that the patent confers to exclude others from “trespassing” on the invention.



What legal rights do patents provide?

- ▶ A patent is a limited monopoly whereby the patent holder is granted the exclusive right to make, use, and sell the patented innovation for a limited period of time.
- ▶ The patent is viewed as a “contract with society”
 - Inventor provides society with disclosure of the invention.
 - Inventor receives a 20 year monopoly to exclude others from practicing the claimed invention
- ▶ The “contract with society” is intended to encourage the investment of time and resources into the development of new and useful discoveries.

What types of inventions are patentable?

Patentable

“ . . . any *new and useful* process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.”

Not Patentable

- ▶ Laws of nature
- ▶ Natural phenomena
- ▶ Abstract ideas

What are the legal requirements for patentability?

- ▶ Utility – it must be useful
- ▶ Novelty – it must be new
- ▶ Non-obviousness – it can't be a mere variation of what was done before
- ▶ Written Description – application must:
 - must fully disclose invention
 - must be enabling

Benefits of Patent Protection

- ▶ Patents can be a key ingredient to any IP program designed to protect a company's IP and enhance the value of a company's IP
 - Identify key technology to protect and obtain patents which cover that technology
 - Use patents as shields against competitors to reduce chances that your company will be sued for patent infringement
 - Consider licensing patents or enforcing patents against infringers to enhance the value of your IP
 - Pick licensing and enforcement targets with care

Importance of Properly Clearing a New Product

- ▶ A company can spend millions of dollars developing a product only to find that it infringes one or more existing patents
- ▶ To minimize the risk of infringement, best practice is to perform patent clearance searches during development
 - A patent search is performed to collect relevant patents
 - Legal and technical staff review each patent and assess the risk of infringement
 - If any potential infringement issues are found, workarounds or licensing can be explored
 - The clearance process may be iteratively repeated throughout product development

Responding to Patent Assertions

- ▶ After receiving a cease and desist letter or being served with a complaint, the first step is consulting a patent attorney
- ▶ Various factors should be considered when deciding how to respond:
 - Do you actually infringe the patent?
 - Do you have any invalidity arguments or other reasons to believe the patent is unenforceable?
 - What are the potential damages?
 - Are there any licensing offers? Are they reasonable?
 - Are there any indemnification considerations with respect to the allegedly infringing product?

Challenging Patents Outside of Court

- ▶ Patent litigation is relatively expensive
- ▶ U.S. law provides several ways of challenging a patent's validity without going to court
 - Ex Parte Reexamination
 - Post Grant Review (PGR)
 - Covered Business Method Review (CBM)
 - Inter Partes Review

Creative uses of Post-Grant Opposition Proceedings

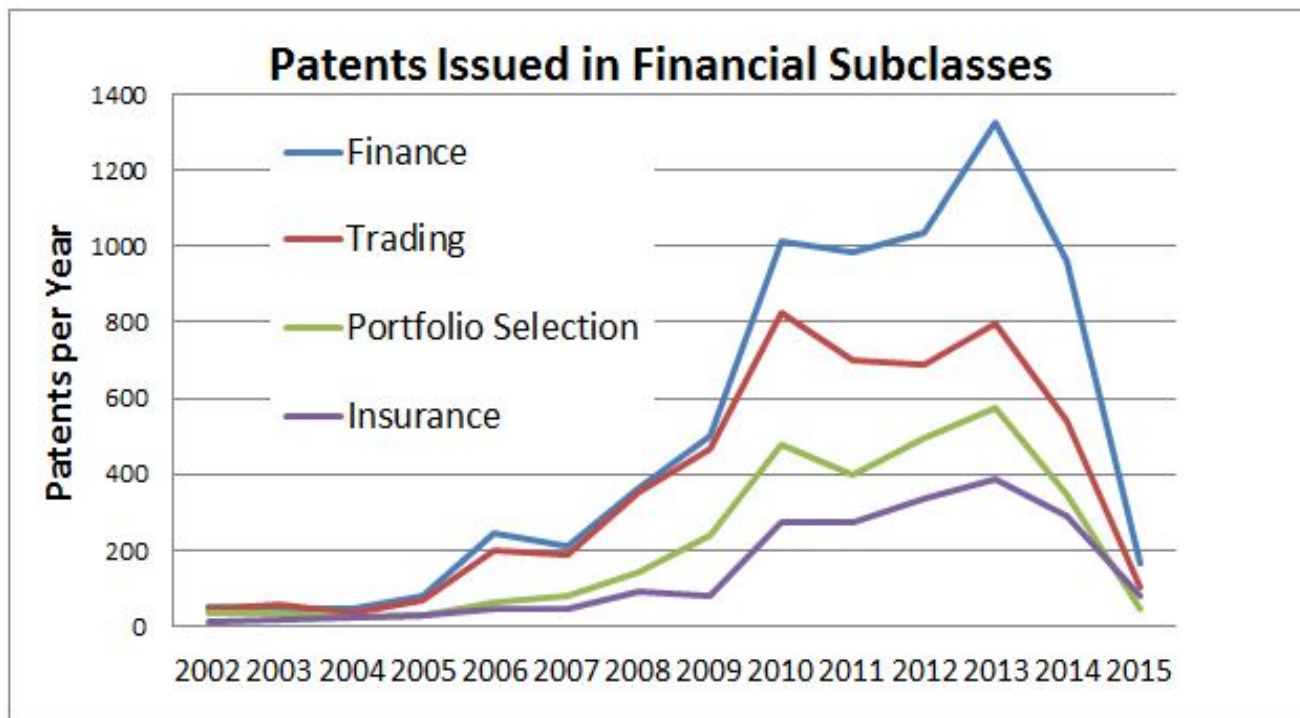
- ▶ Coalition for Affordable Drugs (CAD)
 - Operated by hedge fund manager Kyle Bass
 - Files petitions for IPR of bio-pharma patents
 - Short-sells stock in the pharmaceutical companies that own the patents, anticipating that the IPR will negatively affect stock price

Developments: Patent-Eligibility

▶ *Alice Corp. v. CLS Bank International*

- Recent U.S. Supreme Court Case in 2014
- Alice Corp. owned 4 patents on electronic methods and software for financial-trading systems (i.e., escrow services)
- **Court ruled that implementing an “abstract idea” on a computer system is not patent-eligible subject matter.**
- As a result, the Court invalidated all of the method and software claims in the patents.
- **However, the Court declined to give a clear answer of what is an “abstract idea.”**

The Effect of the *Alice* Decision



The *Alice* decision had the effect of reducing the number of patents granted for inventions in traditional financial technology areas.

Source: <https://financialpatents.files.wordpress.com/2015/05/financial-subclasses-by-year.jpg>

New Patent Filing Strategies

- ▶ As a result of the Alice decision, financial services companies are not filing less patents; rather they are filing patents on newer technologies such as:
 - Mobile Wallets
 - Blockchain ledgers
 - Online payment systems
- ▶ Banks and payments companies were awarded 1,192 patents over the past three years, 36 percent more than the prior three-year period
 - See <https://www.bloomberg.com/news/articles/2016-02-11/disrupting-banks-go-see-what-they-re-doing-at-the-patent-office>

Questions & Answers

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- ▶ Concentrates his practice in securities law, particularly in representing investment management companies and other clients on matters arising under the Investment Company Act of 1940 and the related Investment Advisers Act of 1940, and broker dealers and commodity futures traders and pool operators.
- ▶ Handles mergers and acquisitions, corporate and regulated investment company tax work and other corporate matters.
- ▶ Also represents broker-dealers and CTAs and CPOs with respect to matters under the Securities Exchange Act of 1934 and the Commodity Exchange Act.
- ▶ Represents many hedge funds and other alternative investment funds in fund formation, investment and compliance matters, including compliance audits and preparation work.
- ▶ Writes and speaks frequently on issues involving investment management, health care and other matters and is the author of four books on hedge funds.



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- ▶ Focuses on all aspects of intellectual property including strategic intellectual property counseling and portfolio management, patent procurement (including domestic and foreign rights), patent opinions (including freedom to operate, non-infringement, invalidity, patentability), IP due diligence, licensing, and enforcing and defending patent rights.
- ▶ Has counseled clients in a variety of industries and in a wide range of technologies.
- ▶ Co-vice chair of the Intellectual Property Transactions and Rights Management Practice Group.
- ▶ Earlier in his career, he was an engineer for more than ten years with the Naval Surface Warfare Center – Ship Systems Engineering Station



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- ▶ Co-chair of the firm's Intellectual Property Transactions and Rights Management Practice Group.
- ▶ Prior to commencing his law practice in 1995, Mr. Wakiyama worked in the technology industry, serving as a senior technical analyst with PRC (now part of Northrop Grumman). At PRC, he worked with leading edge technologies in support of the development of information systems for government clients.



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- ▶ Concentrates her practice on intellectual property matters, including trademark, copyright, unfair competition, e-commerce and domain name counseling and dispute resolution.
- ▶ Advises clients on trademark availability and adoption, as well as the management and enforcement of domestic and international trademark portfolios, including representing clients before the U.S. Patent and Trademark Office's Trademark Trial and Appeal Board.
- ▶ Counsels clients on licensing and service agreements, as well as intellectual property issues related to secured transactions, acquisitions and litigations.



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- ▶ Practice focuses on all aspects of intellectual property, Internet, and technology law, including patent, trademark, copyright, trade secret, and open source software matters.
- ▶ Has advised clients on matters involving the sale and licensing of intellectual property rights, multi-tier licensing arrangements, software reseller arrangements, source code escrow arrangements, joint development arrangements, and the provisioning of technology services.
- ▶ Mr. Holovachuk also is a registered patent attorney.
- ▶ Earlier in his career, Mr. Holovachuk worked as a software engineer for more than seven years with Lockheed Martin. While at Lockheed, Mr. Holovachuk developed software for sea-based missile defense systems



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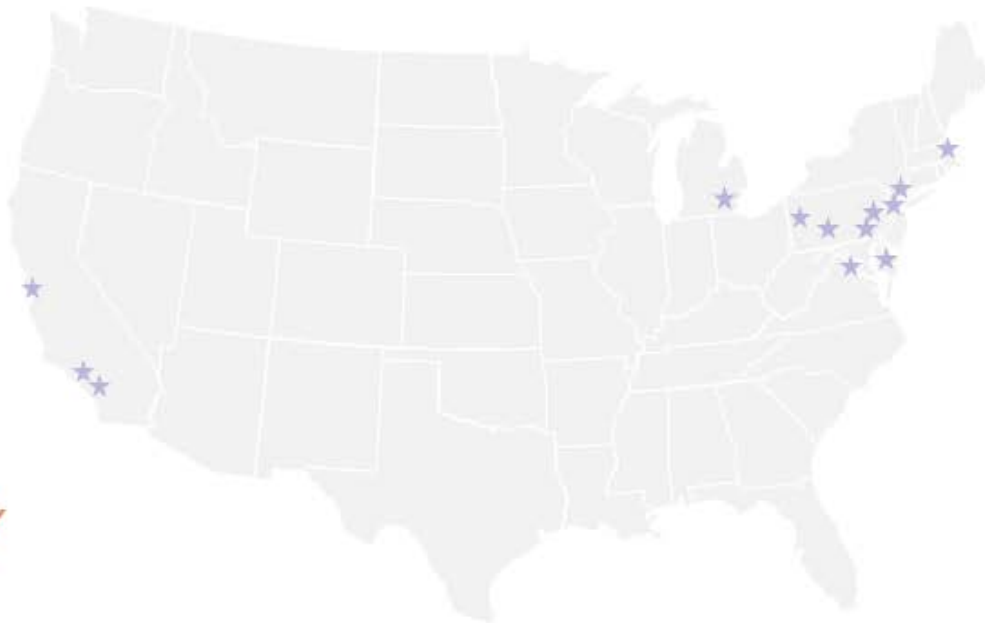
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