

Intellectual Property

Q What is trademark dilution?

A Trademark dilution is lessening of the capacity of a famous mark to identify and distinguish [products]. Unlike trademark infringement, it does not require a likelihood of confusion or competition between the parties. Dilution is reserved for famous trademarks and includes two types of claims. Blurring is when the use of the mark whittles away the strong association consumers have between a famous mark and the plaintiff's goods or services. (e.g. KODAK bicycles.) Tarnishment occurs when the mark's use places it in a bad light or context, out of keeping with plaintiff's high quality image (e.g. Candyland for an X-rated website).



Robert F. Zielinski
Wolf, Block,
Schorr & Solis-
Cohen LLP
Philadelphia
215 / 977-2544
rzielinski
@wolfblock.com
wolfblock.com

R & D Support

Q What rights does the federal government take if it provides research or development support?

A The federal government is a huge source of support for corporate research and development; it spends about \$24 billion annually on research contracts, and NIH and NSF alone spend \$17 billion more on grants. In contrast to the past, the government now allows the contractor to keep all commercial rights in the vast majority of agreements, retaining only government purpose rights in the developments. The government also usually requires substantial U.S. manufacture for the U.S. market, but allows licensing for elsewhere and creates exceptions to this requirement as well.



Jay P. Urwitz
Hale and Dorr LLP
Washington, DC
202 / 942-8464
jay.urwitz
@haledorr.com
haledorr.com

Venture Financing

Q How do I decide how much money to ask for?

A It depends. If there's a lot of money chasing your deal, take enough to finance early stage goals. If there is little, grab what you can get for the longer haul. Money has a cost. In venture financing, it's equity. How your company is valued will determine what you give up. In the beginning, seek enough to do the immediate goals of your business plan. Your company should be valued at a higher price as you meet these goals so future capital needs should be cheaper. But be cautious, market conditions can change, and you don't want a down round. Rely on experienced people to help you make this call.



Mark I. Gruhin
Schmeltzer,
Aptaker &
Shepard, P.C.
Washington, DC
202 / 342-3444
mig@saslaw.com
saspc.com

Patents

Q What is the hottest issue now with respect to pharmaceutical patents?

A The Hatch Waxman Act and the many antitrust lawsuits alleging sham litigation in connection with the 30 month delay in FDA approval of generic drugs when a patent lawsuit is filed based on a generic company's FDA filing. While some of these antitrust cases have been dismissed, others have been settled for large sums and others are headed for trial. Meanwhile, Congress is considering whether and how to amend the law to speed generic approvals. Companies should focus R&D and patenting on value-added improvements that may be listed in the FDA's Orange Book to minimize their antitrust risk.



James W. Gould
Morgan &
Finnegan, LLP
New York
212 / 415-8553
jwgould@
morganfinnegan.com
morganfinnegan.com

Global Commerce

Q Is it true that my company cannot freely transfer customer lists from its European subsidiary to the US parent?

A Yes. The European Union Data Protection Directive provides that *personal data*, meaning information relating to an identifiable natural person, such as name, address, telephone, etc., can only be transferred from Europe to a country that ensures an adequate level of protection (unless the data subject consents). The United States, relying on self-regulation, does not meet the standard, but a "safe harbor" exception has been created, permitting transfer if the US company meets certain criteria and does a simple annual filing with the Commerce Department. A good privacy policy is part of such compliance.



Richard E. Neff
Neff Law Group
LLP
Los Angeles
310 / 540-6760
richard@
nefflaw.com
nefflaw.com

Stock Options

Q Don't corporations receive a tax deduction on their non-qualified stock options?

A There are no legal restrictions on how "non-qualified" stock options can be structured, as opposed to "tax-qualified" stock options. The employer can deduct the value of these options, the spread between the option price and fair market value, as compensation expense when the options are granted. The employee must recognize taxable compensation income on the same amount.



Mark L. Epstein
Epstein & Friedman
San Francisco
415 / 896-2990
mlepstein@msn.com

Patents

Q Should my small company consider its business methods as something to patent?

A Over the past year, there has been a flood of newly filed patent applications for business methods. There exists a favorable environment for obtaining patent protection because there is not a lot of relevant *prior art* to search. However, because of this, special attention is paid to the quality of examination by the USPTO. Nonetheless, you should make certain that the invention merits the substantial investment required to seek the patent.



Alan Kasper
Sughrue, Mion,
Zinn, Macpeak &
Seas PLLC
Menlo Park
650 / 463-4600
akasper
@sughrue.com
sughrue.com

Instant Messaging

Q My employees use free instant messaging programs to communicate with our clients, as well as their friends. Should I be concerned?

A Definitely. Most free IM services are not private and less secure than email. Also, in certain regulated industries all client communications must be archived, a feature not included in many free IM programs. Further, IM can be more difficult to monitor than email, making it the perfect method for disgruntled employees to leak proprietary information, even files, without detection. A good IM policy, similar to your email policy, and a robust commercial IM client can help you manage these issues.



Joseph E. Addiego III
Davis Wright
Tremaine LLP
San Francisco
415 / 276-6515
joeaddiego
@dwt.com
dwt.com

Employee Options

Q What is a *cram-down* venture financing?

A A *cram-down* venture financing happens when venture funders provide follow-on financing at a much lower valuation than earlier rounds. The result is that earlier investors and common shareholders (including employees) are diluted, often by substantial amounts. In today's venture market, with money tight and valuations low relative to valuations in 1999 and 2000, *cram-downs* are becoming increasingly common. Companies and early investors accept them as an alternative to running out of cash.



Marlee S. Myers
Morgan, Lewis &
Bockius LLP
Pittsburgh
412 / 560-3300
msmyers
@morganlewis
.com
morganlewis.com