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AN *INTELLECTUAL PROPERTY* BULLETIN
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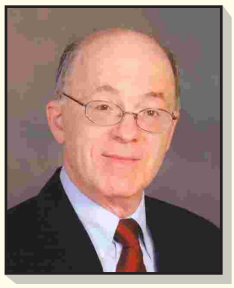
NEXSEN | PRUET
ADAMS KLEEMEIER

ART MORGENSTERN JOINS NEXSEN PRUET'S INTELLECTUAL PROPERTY GROUP

Arthur Morgenstern, who has more than 25 years of experience in patent, trademark, and administrative law, has joined Nexsen Pruet's Intellectual Property practice area in its Charleston office. He is a registered patent attorney and will be part of the firm's chemistry/ biotechnology/ pharmaceutical practice in an Of Counsel capacity.

His technical focus as a patent attorney has ranged from organic chemistry, immunochemistry, chemiluminescence, polymer chemistry, electrochemistry, nucleic acid chemistry, medical diagnostic formulations, medical devices and equipment, gas purification, metallurgy, carbide chemistry, botanical products, food chemistry, ink chemistry, indicators, pharmaceutical chemistry to the mechanical arts (including bicycles!).



In the administrative law area, he has provided advice to clients on matters impacting the drug, medical device and chemical industries that relate to the Food and Drug Administration, Occupational Safety and Health Administration, Department of Transportation, Bureau of Alcohol, Tobacco and Firearms, Drug Enforcement Administration, Department of Agriculture, and Environmental Protection Agency.

After earning a Bachelors of Science in chemistry, biology and math, cum laude, in 1966 from Union College in Schenectady, NY, Mr. Morgenstern earned a Masters of Science in Biophysical Chemistry from Yale University in 1967. He later earned a Juris Doctor from Duquesne University School of Law in 1978.

Mr. Morgenstern previously worked for several corporations: Sigma Chemical Co., St. Louis, MO; Ciba Corning (Ciba Geigy)/ Chiron/ Bayer Diagnostics, Medfield, MA; and aaiPharma, Wilmington, NC. He has also practiced law at Weingarten Schurgin Gagnebin & Lebovici, a patent law firm in Boston.

We are delighted to have Art join us and to bring his considerable expertise in intellectual property and related administrative law areas to the firm.

INTELLECTUAL PROPERTY ASSESSMENT FOR INVESTORS by Joe Guy

Successful investing requires a careful balance between potential reward and potential risk. Potential reward is typically based on the business plan and the track record of the entrepreneur who is seeking investment capital. Risk is inherent and unavoidable but can sometimes be reduced. However, in order to make the investment decision, the risk/reward equation should be carefully evaluated prior to the commitment of funds by angel or higher level investors.

Currently, intellectual property is a critical asset for all companies, and it can be the distinguishing characteristic of start up companies that gains the attention of investors. But just claiming intellectual property or having filed a patent application or two does not tell the investor the whole story. In addition, investors do not typically have the training to evaluate intellectual property. Accordingly, a vital part of a presentation to potential investors is not only the existence and extent of the start up company's intellectual property and but also the steps taken by the entrepreneur to protect it. Similarly, no investor should make an investment without having a good and preferably an independent analysis of the intellectual property on which the start up company is basing its business plan.

Moreover, as a company's implements its business plan and its technology develops, its intellectual property must be reviewed and additional protective steps taken. Patents, for example, are typically applied for in the early stages of technology development. In time, the patent applications that were filed initially may no longer adequately cover the developed technology and should be constantly reviewed and augmented as necessary to assure coverage.

Intellectual property, as an asset, also has the disturbing tendency to be suddenly devalued by changes in the state of the art, particularly in high tech ventures. Constant review of the state of the art compared to that underpinning the start up company can help an investor determine when the technology of its startup is no longer the right technology.

Having a clear understanding of the start up company's most important asset, namely, its intellectual property, is essential to making sound decisions as to whether to invest, whether to continue to invest, and when to stop investing.

JURORS SAY THE DARNDEST THINGS **by Lica Colwell**

We trial lawyers like to think that we win cases by mastering the facts and then delivering a presentation to the jury that educates the jurors on the facts while simultaneously evoking their sensibilities and sympathies toward our clients. This seems particularly true in patent litigation and medical malpractice cases, where the facts are inevitably complicated. But from what I've heard from jurors, the criterion that separates the winner from the loser is much simpler than we think.

Some time ago, I was involved in the defense of a case brought against a cardiothoracic surgeon by a patient who had undergone a triple coronary artery bypass graft, or CABG ("cabbage") procedure. After the procedure, the patient had some difficulty breathing, which was ultimately attributed to paralysis of her right hemidiaphragm resulting from an injury to the phrenic nerve during the surgery. Of course, the plaintiff's attorney very deliberately drew out this point during his long opening statement.

It was helpful to the defense that this injury is a known complication of CABG procedures. It was even more helpful that plaintiff's expert testified that such injuries are known to occur in the face of the careful observation and dissection demanded by the standard of care, since three of his own patients had experienced the same complication. The contribution of the plaintiff's expert pulmonologist was that the patient's lungs had recovered to normal function, and her lasting breathing complaints could be due to obesity and other medical conditions.

Our surgeon confirmed that he had very carefully performed this complicated procedure. He was permitted to explain the complexity of the surgery the jurors by showing a teaching video of the procedure. Our expert emphasized that the standard of care had been met in the case. The case closed with the plaintiff's attorney not only repeating his opening statement, but also adding all the allegations made by the plaintiff about how the breathing difficulties had

affected her life. We briefly emphasized the high points of our case in rebuttal.

After the jurors returned a verdict for the defense, we remained in the courtroom to talk to them about it. We thought certain that the testimony we had elicited from plaintiff's experts clinched the case. But when we asked the question to the jurors who had circled around us, one juror very quickly said "Whenever you got up to talk, you were brief!"

In talking about it later, we decided that we could still claim some of the credit. We had simplified the facts and focused our case upon a small group of points that clearly countered all of plaintiff's allegations, to bring the jury's attention to a theme that could be easily understood and repeated. Less is more, particularly in cases having facts that might easily overwhelm a jury.

NEXSEN PRUET'S IP PRACTICE AREA **by Michael Mann**

What has 20 arms, 20 legs, 10 bachelors degrees in science and engineering, five masters degrees in science and engineering and two doctorates in chemistry? Well, your friendly, neighborhood Nexsen Pruet IP practice area folks, that's who! This crowd of party-goers also has 150 years of collective experience as registered patent attorneys, 180 years of experience in the practice of law and 44 collective years practicing science and engineering. So between parties what does this wild and crazy bunch do to pass the time? Well, they have filed over 3000 patent applications in 35 countries and 2400 trademark applications in nearly 100 countries for clients in 32 states of the United States and in 35 foreign countries.

So the next time you have an idea that involves a little software, chemistry, biology, physics, chemical engineering, nuclear engineering, biochemistry, biomedical technology, biophysical chemistry, or mining engineering, or bicycles – and have a swell trademark to go with it -- just give us a call. We have 20 ears to hear you, too.

BUSINESS METHOD PATENTS **by Michael Mann**

The topic of business method patents is hampered by the lack of a suitable definition of them. Many business method patents are related to electronic commerce. However, other business method patents involve such diverse activities as teaching, games, and improving crop yields. In fact, the Court of Appeals for the Federal Circuit has stated that claims drawn to a method of doing business should not be pigeon-holed as "business method" claims; instead they should be treated like any other process claims. That should settle it. But it doesn't.

The problem is that many business methods are in fact different than other inventions: they are more abstract and harder to recognize for their patent potential, they may include mental steps, and they are more difficult to evaluate for their patentability than inventions for tangible devices and machines. Unsurprisingly, the Patent and Trademark Office handles them differently (notwithstanding the Court of Appeals mandate that they be treated the same as any other process claim), frequently subjecting them to special rules and to review by a "second pair of eyes" following allowance by the initial examiner just to be doubly sure that the business method patent application is indeed properly allowable.

These types of inventions, however, are vital to the growth of businesses in today's economy, which is more and more based on intellectual capital rather than land and raw materials. The introduction of computer technology and the internet to business operations created fantastic opportunities to conduct business in new ways and to improve existing ways of doing business. As a result, companies are investing heavily in creating and implementing these new methods

try to protect them with patents. Microsoft, initially hesitant to embrace business method patents, has since added 2500 patents to what was only a handful prior to 1990.

Businesses that alter their way of doing business with suppliers or with customers should consider business method patents. For the innovative company, a patent creates a legal and commercial obstacle -- sometimes a significant one -- that gives them an advantage in the competitive marketplace. For consumers, innovation gives us new products, new services and greater convenience.

THE PATENT COOPERATION TREATY by Dorothy Rutledge

The Patent Cooperation Treaty (PCT) is an increasingly popular route for obtaining patent protection in foreign countries. The Treaty allows a US applicant to file one application with the US Patent and Trademark Office that designates up to 126 countries where the applicant might like to apply for patents. Although subsequent applications must be made in the individual countries of choice, the PCT route gives the applicant 18 months to decide in which of those 126 countries he or she wants to file national applications. In the intervening time and with the help of the international search report and examination report, the applicant can refine the invention, analyze the market, identify licensees, and find funding for national applications. Moreover, when those national applications are filed, each nation uses the applicant's priority date as the effective filing date rather than the actual filing date, so those who filed *after* that priority filing date, even if they filed *before* the actual date of filing, have lost the race to the local Patent Office.

Because of the preliminary work during the 18 months of the international phase, prosecution of the national patent applications in each country's patent office is considerably simplified, at significant savings to the applicant. The national patent office of each country issues a patent to the applicant for a term of 20 years from the international (PCT) filing date.

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