



► **INSIDE THIS ISSUE:**

Jorda Inducted Into
IP Hall of Fame / 1

Portrait:
Richard Wilder / 1

IP Faculty Activities / 2

Trademark Valuation:
Practical Problems
in Relation to
Securitization / 3

The Importance of
Innovation Output in
Developing IP / 5

Outsourcing: Are Patent
Prosecution Jobs Next? / 7

Thailand Breaks
Blockbuster Drug
Patents, Legally? / 8

Is the Good Faith Junior
User a Legal Fiction? / 9

Counterfeiting &
Piracy: Going Beyond
Legislation / 11

Book Review:
*Trade Secret Asset
Management* / 12

Calendar of Events / 16

JORDA INDUCTED INTO IP HALL OF FAME

PROFESSOR KARL F. JORDA, one of nine individuals was inducted into the Intellectual Property Hall of Fame in 2007. He was chosen from a field of over 300 nominations solicited from members of the global intellectual property community. The Intellectual Property Hall of Fame was established in 2005 by *Intellectual Asset Management* magazine (London) and is designed to honor those who have made an outstanding contribution to the development of intellectual property law and practice, thereby helping to establish intellectual property as one of the key business assets of the 21st century. Induction into the Intellectual Property Hall of Fame took place on October 24 at a Gala Dinner at the Field Museum in Chicago, hosted by Ocean Tomo, the Intellectual Asset Merchant Bank of intellectual property auction fame. Induction into this Hall of Fame includes membership in the Intellectual Property Hall of Fame Academy. ■

PORTRAIT: RICHARD WILDER (JD '84)

BY NICHOLAS SIDELNIK (JD '08)

WHEN ASKED WHAT WORDS OF ADVICE HE HAD for those beginning their careers, Richard (Dick) Wilder's advice was "Do what you really want to do." It would appear that Dick Wilder really wanted to do a lot of things. Wilder has been an engineer for General Electric, a corporate attorney, a law professor in Malaysia, a legal officer for WIPO...twice, a legal officer with the United States Patent and Trademark Office (USPTO), a partner at a major international law firm, and most recently, Associate General Counsel for Intellectual Property policy for Microsoft. Wilder's career has literally taken him around the world.

Dick Wilder grew up in Washington State and attended the University of Washington, where he studied mechanical engineering. After graduation, he took a job with General Electric, specializing in electrical power generation. Working for GE took him from the U.S. to Venezuela, Singapore, Saudi Arabia and other countries. After three years at GE, Wilder considered his career prospects as an engineer. Looking for broader opportunities, he decided to seek a career at the intersection of the law and science and technology.

Wilder enrolled at Franklin Pierce Law Center, graduating in 1984. He was intrigued by the IP focus of the school. He was also impressed by the faculty's genuine interest in international and foreign law and practice. After graduation, Wilder took a junior patent attorney position with Perkin-Elmer—in the optics and semiconductor equipment groups. Wilder stayed at Perkin-Elmer for a year and half before again seizing the opportunity to work internationally. He took a teaching position in Malaysia, which was transitioning from an intellectual



RICHARD WILDER

See PORTRAIT, page 3

■ **PORTRAIT, from page 1**

property system largely dependent on that of the United Kingdom to an independent system. Wilder joined the University of Malaya law faculty, teaching Torts and IP Law for one year.

After his time in Malaysia, Wilder moved back to the U.S., joining Finnegan Henderson as an associate. After two years of patent prosecution and litigation work, he took a leave of absence to pursue another great international opportunity, senior legal officer in the Industrial Property Division of WIPO. There Wilder participated in discussions for patent harmonization and legislative drafting and training for developing countries.

After two years in Geneva with WIPO, Wilder returned to the U.S. and Finnegan Henderson. His experience with WIPO shifted his interests towards international public law and international economic development, which he combined with his more “traditional” practice of patent prosecution and litigation. After three years at Finnegan Henderson, Wilder was on the move again, when he was asked to join the Office of Legislative and International Affairs at the USPTO. There he represented the U.S. Government in international negotiations on intellectual property issues.

In 1997, Wilder was asked to return to WIPO, where he served in the prestigious position of Director of the Global Intellectual Property Issues Division. There he oversaw various WIPO programs dealing with diverse issues, including biotechnology, genetic resources, public health, traditional knowledge, folklore and human rights. As Director-Advisor of the Office of Legal and Organization Affairs, Mr. Wilder also had responsibility for relations between WIPO and the non-governmental organizations and the private sector.

In 2000, Wilder made the difficult decision of moving back to the U.S. His wife and three children had followed him around the world for his work, and it was time for them all to come home for a while. He moved to Washington, D.C. and joined

See PORTRAIT, page 4

TRADEMARK VALUATION: PRACTICAL PROBLEMS IN RELATION TO SECURITIZATION

BY MICHAEL FARAH (JD/LLM '09)

IT WAS ONLY TEN YEARS AGO that investment banker David Pullman truly realized the value of IP assets as a source of finance and securitized David Bowie's record labels. This first foundational step generated \$55 million dollars worth of asset backed bonds secured by the future royalties on publishing rights. The phrase “IP Securitization” is a “financing technique whereby a company transfers rights in receivables (e.g., royalties) from IP or to an entity, which in turn issues securities to capital market investors and passes the proceeds back to the owner of the IP. The revenue from receivables pays the investor/bondholder back with an interest rate over a fixed period.” John S. Hillery, Washington CORE, *Securitization of Intellectual Property: Recent Trends from the United States*, <http://www.iip.or.jp/summary/pdf/WCORE2004s.pdf> (March, 2004). Many other “Bowie like” artists have followed the trend and have been able to generate immediate liquidity based on a promise of future revenue. Christopher Kalanje, *WIPO-WASME Special Program on Practical Intellectual Property: Role of IP in Raising Finance, Geneva*, http://www.wipo.int/edocs/mdocs/sme/en/wipo_wasme_ipr_ge_03/wipo_wasme_ipr_ge_03_17.pdf (Oct., 2003). This relatively new and misunderstood business not only covers copyrights, but also trademarks and more recently patents.

Larger companies have been the best and most active at securitizing their assets, while SME's (small and medium enterprise businesses) have yet to jump on this bandwagon because of a false sense of ineptitude. And, while it is obvious that this is a promising new enterprise, investing in intangible assets is still a risky business. Leonard Nakamura, Business Review Q4 2001, *Investing in Intangibles: Is a Trillion Dollars Missing from GDP?*, <http://www.phil.frb.org/files/br/brq401ln.pdf> (2001). Because of the risks involved, the value of an asset's future potential is extremely important in determining the securitization potential and possibility of outside investment. John Rugman & Tony Hadjiloucas, PricewaterhouseCoopers, London, *Valuing IP and Determining the Cost of Capital*, http://www.buildingipvalue.com/05_SF/360_363.htm (accessed Oct. 9, 2007).

The normal method for valuing trademarks in the securitization field is to use an “income approach.” One employing this approach must:

1. Determine the regular income stream that can be generated by the property;
2. Make an assumption as to the duration of the income stream;
3. Make an assumption as to the risk associated with the realization of the forecasted income.

The basic equation used to calculate the prospective earnings of the mark is $V=I/R$, where V represents the value of the earnings stream attributable to the property, I accounts for the income derived from the intellectual property and R is the capitalization or discount rate that accounts for all the risks associated with achieving the prospective earnings. Gordon V. Smith, *Valuation of Intellectual Property and Intangible Assets*, 169 (3d ed. 2000). The discount rate is by far the most uncertain variable and can result in widely disparate values depending on who is doing the valuation and for what purpose. Many times, the discount rate fails to address the practical issues of what an IP asset is truly worth, or not worth in some cases. To make matters worse, a failure to properly value the asset does not generally harm the company performing the valuation unless they are also acting as a lender. However, it will and often does harm the potential investor, licensee and licensor. Sylvain Roy, *Introduction to IP Valuation: How Much is Your IP Worth?*, http://ipmall.info/hosted_resources/gin/Roy_How_much_is_your_IP_worth.pdf, (2004).

See VALUATION, page 4

■ VALUATION, from page 3

A major difficulty in valuing trademarks and applying the appropriate discount rate concerns the economic life of the mark. The economic life of a trademark is the period during which the use of the asset is profitable. *Smith*, at 283. Because a trademark exists so long as it is used and maintained, it may seem that its economic life is endless. However, there are certain requirements to maintaining the mark. *Id.* at 298.

One requirement is maintaining a certain level of quality control on how a licensee will use the mark. Where there is insufficient

quality control, the penalties are harsh: the license could be deemed “naked,” and the trademark considered abandoned. *Go Medical Industries Pty, Ltd. v. Inmed Corp.*, 300 F.Supp.2d 1297 (N.D.Ga. 2003).

Determining what is the necessary level of quality control can also be expensive because “the degree of quality control exercised by a licensor is a question of fact, which may require a trial rather than be determined on summary judgment.” *Alligator Co. v. Robert Bruce, Inc.*, 176 F.Supp. 377 (D. Pa. 1959). See *R. C. W. Supervisor, Inc. v. Cuban*

Tobacco Co., 220 F.Supp. 453, 138 (S.D.N.Y. 1963) (degree of quality control is a question of fact). While a high burden of proof is required to consider a trademark license “naked,” courts have done just that. In *First National Bank of Omaha v. Auto Teller Systems Service Corp.*, 9 U.S.P.Q. 2d 1749 (TTAB 1988), the TTAB considered a mark invalid where the only quality control requirement was that the licensee would use the mark in connection with goods and services “of the same quality as those on which it was already using the mark.” On the other hand, in *Turner v. H M H Publishing Co.*, 380 F.2d 224 (5th Cir. 1967), the court determined that Hugh Hefner Publishing validly licensed the use of the Playboy mark to various Playboy clubs throughout the nation by establishing standards relating to decor, the quantity and quality of food, beverages and entertainment, and hired and supervised personnel in the licensee’s clubs. J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 18:58 (4th ed. 1997).

While the courts require quality control, the actual amount of quality control is unclear. The relevant case law tends to differentiate active and passive quality control. Active control includes frequent inspections performed by agents of the licensor, using standards set by the licensor and imposing penalties for failing to adhere. Passive control depends on the licensee to monitor the quality of how the mark is used. Passive control normally relies on the licensee’s empty guarantees with respect to an undefined standard of quality. While “periodic and thorough inspections by trained personnel” constitute adequate quality control, mere “chance, cursory examinations of licensee’s operations by technically untrained salesmen” would not. *Dawn Donut Co. v. Hart’s Food Stores, Inc.*, 267 F.2d 358, 369 (2d Cir. 1959) (Lumbard, J., dissenting in part).

A traditional trademark backed securitization takes the form of multiple license agreements for each company that is using the mark. Consider the Guess? Inc. deal which securitized \$75 million dollars through fourteen individual license agreements by

See VALUATION, page 5

■ PORTRAIT, from page 3

the international trade group of Powell Goldstein Fraser & Murphy. In 2002, he moved with the international trade group of Powell Goldstein to Sidley Austin. There his practice focused on international trade (including litigation before the World Trade Organization), global health and domestic and international policy work (including in the software sector). He is very proud of the work he has done in global health—particularly as an early key player in building the legal infrastructure for the Medicines for Malaria Venture, the Global Alliance for TB Drug Development and the Bill & Melinda Gates Foundation among others.

Wilder’s focus has recently shifted as he has taken the position of Associate General Counsel for IP Policy for Microsoft—a newly-formed position within the company. He will play a key role for the company within the technology sector during a period of rapid evolution and challenge. He will also continue to be active in the global health arena, including as an expert advisor to the World Health Organization.

Throughout his legal career, Dick Wilder has been keenly aware that IP impacts nations, companies and people alike. His interest in human rights and pro bono services led him to co-found Public Interest Intellectual Advisors, an international non-profit organization that makes intellectual property counsel available for developing countries and public interest

organizations who promote health, agriculture, biodiversity, science, culture, and the environment.

Dick Wilder loves spending time with his wife of 26 years and his three children. He enjoys his friends, great food and wine, music, theater, movies, hiking, and working in his garden. He is a private pilot and recently started skydiving again with his older son. He and his family vacation in Maine every year since graduating from Pierce Law and still love traveling the world.

Intellectual property has been very good to Dick Wilder. His interest in international and foreign work was an early motivator and a constant driving force in his career. His career has brought him and his family around the world and into the middle of some of the more interesting economic, technical, and political developments of the day. As he said, “seek out what really excites you - what you REALLY want to do—and do it.” It may sound cliché, but it has worked out pretty well for Dick Wilder. ■

Nicholas Sidelnik (JD '08) received a BS in Aerospace Engineering from MIT.



Upon graduation, he plans to practice IP law in New York, focusing on patent litigation.