

**Fall '04**  
**15.616**  
**INNOVATIVE BUSINESSES AND BREAKTHROUGH TECHNOLOGIES – THE**  
**LEGAL ISSUES**  
John Akula

**SECOND TAKEHOME EXERCISE**

**Period During Which Exercise is Available:**

Available beginning Thursday, November 20 at 12 noon;  
To be completed (within 3 hours of receipt) by Saturday, November 22 at 5 pm

**Material Covered:**

From Class 11 on 10/15 (Slade on Internet Law)  
Through Class 16 on 11/12 (Akula on Copyrights)

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## INSTRUCTIONS AND ADVICE

**1. Schedule and timing.** Make arrangements with the TA to have the exam e-mailed to you at a mutually convenient time, and then within **three hours** e-mail back to the TA the completed exam. Keep a hard and computer-readable copy of your exam.

**2. Sources and communication among students:** During the period the exercise is available, students may not consult with each other about the course. For the exercise, you may consult the text, the readings, and any notes prepared by you, but no other sources. (Since your answers will be evaluated in terms of the course readings and the lectures, especially the readings, consulting other sources would not likely do much good.)

**3. Weighting and strategy:** There are two questions. Answer both. They will be weighted equally. Each particular point you should address appears in a sentence ending with a “?” Don’t neglect to respond to each “?”

**4. Format and submission of answers:** Your answer should have a cover sheet which includes your name, “ESL” if English is your second language, and the exact word count for the entire document. Start the answer to each question on a fresh sheet. **Your entire submission should not exceed 1,000 words.**

**5. Some general advice (READ THIS CAREFULLY):** You are not supposed to be a lawyer, and I don’t expect you to have definite answers to legal questions. You are supposed to be a manager with the ability to make a **preliminary** assessment of legal problems. Each question will ask you to address legal issues in a business context from the point of view of a manager. It doesn’t matter much if I don’t agree with your judgment as to how serious a risk or problem is, so long as you spot it and understand the legal and managerial implications of it. Your answers should demonstrate your understanding of and ability to express broad legal concepts, and your ability to spot where and how the law will have an impact on a business problem and the individuals involved. It will not be necessary to cite specific cases or statutes. **Make sure that your answer focuses on how general legal principles apply to the facts you have been given.** To the extent that the facts are not as specific as you would like them to be for your assessment, point that out. You shouldn’t concern yourself with implausible possibilities. I don’t try to “trick” people in these exams. Look for the main issues suggested by the facts, and get right to them. **Be responsive in your answer; that is, answer the specific questions that have been asked from the perspective you have been asked to assume.** (For example, if you are asked to provide some alternative courses of action, do so. If you are asked to assess risk from the perspective of a particular party, do that.) Your answers should be well-organized and clearly written. The length limit is tight, so you will probably have to edit your answers carefully to cover the necessary points in the limited space allowed.

**6. Grading:** If your exam is over the length limit, or submitted late, there will be a downward adjustment to your grade.

**NOTE TO ESL STUDENTS: If English is your second language, and you are having trouble understanding the wording of a question, you can try to call me or the TA for help. If you cannot reach either of us, you may ask any fellow student who is not enrolled in this class for help understanding the wording of a question.**

## **Background to Both Questions**

### **Question I:**

You are a top manager at a new biotech company, Venture Inc. All of the other top managers have backgrounds in biology. You are the only member of the team with strength in general management, and so the team looks to you for advice on most general management issues. Venture's research is focused on what may be the first commercially practical method of producing a certain protein through bioengineering. The protein may be useful in treating several important diseases. The early results from the research are looking promising, and the company has retained Fred Filer, a respected patent lawyer. Senior management has met with Fred, and Fred argued persuasively for an aggressive strategy of patenting any appropriate aspects of the company's findings. You agree that this is the right way to go. However, you are concerned that the other managers have little sense of the potential weaknesses of such patents, and that the company may be basing its strategy on an overly optimistic sense of the legal strength of its patent strategy. There is another meeting scheduled next week with Fred. You want that meeting to focus broadly on the possible weaknesses and vulnerabilities of a strategy based on patent protection insofar as these relate to legal considerations. What factors do you want to make sure are discussed at this meeting and why?

## Question II:

The diagnosis of brain injuries relies heavily on a certain kind of diagnostic “scan” produced by nuclear magnetic resonance (NMR) technology. It can be very useful for a doctor engaged in such a diagnosis to have prompt access to scans of similar injuries and the associated medical records. However, these scans and the associated records are scattered all over the country. Your company is working on an Internet-based system which could be used to link together the records of a large number of medical centers and provide instant access to the scans and records at each center, and also provide some tools for selecting and comparing the most useful scans. Your company’s main strength is software development, not hardware, and you expect to become involved in a joint venture to develop the final product with a company whose strength is in hardware.

Some basic decisions need to be made about how your company is going to approach protecting the intellectual property in the software which it is generating. Your company has retained legal counsel to advise it on intellectual property matters, and counsel will be meeting with senior management to discuss this issue. You are the person who chairs these meetings. In preparation for the next meeting, you are thinking about the following questions:

- A. If the software is copyrighted, what factors would affect how strong the copyright protection would be, and why?
- B. What factors will be relevant to whether the software could be protected as a trade secret? What are the main risks to trade secret protection?
- C. Is the software patentable subject matter, and why or why not?
- D. If patent protection could be obtained, and if your company decides that the market for this product is international, what are some of the legal considerations that are likely to arise in seeking patent protection in other countries that are different from the rules in the U.S.?