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## MANAGING RISK WHEN USING OPEN SOURCE SOFTWARE IN A PROPRIETARY PRODUCT

by Bruce A. Johnson

Open source software is a software development and distribution model where source code is freely made available to the general public for use and modification from its original form. Open source software typically results from a collaborative effort among programmers that first create the code, and then improve upon the code and share the improvements with the community. Open source software is becoming increasingly popular in software development for obvious reasons, including development cost savings and development time savings.

When developing a commercial or proprietary software product, it is tempting to look to open source software for potentially significant cost savings. However, it is vital that businesses understand the risks involved when using open source software. When a programmer contributes code to an open source project, they do so under an explicit or implicit license agreement. Typically, open source software is subject to one of several standard license agreements, including the most common GNU General Public License (GPL) and GNU Lesser General Public License (LGPL), among others (<http://opensource.org/licenses>). Violation of an open source software license (whether intentional or innocent) may result in copyright damages, statutory damages and attorneys' fees, injunctive relief, and the forfeiture of the license.

Each open source license comes with numerous obligations outlined in the respective license agreement. Most open source license agreements allow developers to use, modify, and share the software. However, when the open source software (such as software licensed under the GPL) is used in a software product, the same license agreement must apply to the developed software product. For example, when using software licensed under the GPL, the end product, when distributed, also must be distributed under the same license terms, meaning that purchasers of the proprietary software (as well as the general public) are free to copy, modify, and sell the proprietary software

themselves. In addition, the developer must provide copies of the source code.

Some open source software licenses are less restrictive. For example, under the LGPL, a developer can use and integrate LGPL software (usually a software library) into a proprietary product without being required to release the source code of an entire software product, under certain conditions. Under the LGPL, if there is a clear separation of the open source and proprietary parts, the developer may only be required to provide source code to the open source parts. For example, a developer may try to keep the software parts separate by placing the open source parts in a dynamic link library (DLL). The determination of the "separation" can be difficult and ambiguous, though.

Sometimes, the risks of open source software licenses are hidden. For example, an in-house programmer or a contract programmer may be using open source software subject to one or more licenses without the knowledge of the business. A business can also be exposed to open source software liabilities through the purchase of assets or through mergers and acquisitions. In fact, violation of open source software license agreements, whether intentional or not, can devalue a business. Private companies seeking to be acquired have seen their valuation drop, or have seen acquisitions stopped, as a result of open source software license non-compliance discovered during a due diligence process.

Following are a few things a business can do to reduce the risk of open source software non-compliance:

1. When a business makes the decision to use open source software in a product, the business must work closely with its developers to determine what license is applicable to each piece of open source software. For each applicable license, counsel should review the license terms and ensure that all terms of the license are met. Compliance may include using proper notices, providing source code to the public, etc.
2. If a business becomes aware that open source software has been used by its developers

### The Secret's Finally Out!



*We can now tell you we have...*

- 15 patent attorneys
- More Federal Circuit appearances than any other Iowa office
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or contractors, the business should gather details on code usage, code modifications, and license compliance.

3. When a business makes the decision not to use open source software, it is imperative that it ensure that all programmers (in-house and contractors) do not use any open source software. In addition, if any commercial code is purchased from a third party, the business should determine if the purchased code is subject to any license agreements. Ideally, purchased code should come with adequate warranty and indemnity terms.

4. When purchasing assets or acquiring another business, open source software risks should be included in the due diligence process. Likewise, if a business is trying to be acquired or go public, it is advantageous to clear up any license issues ahead of time.

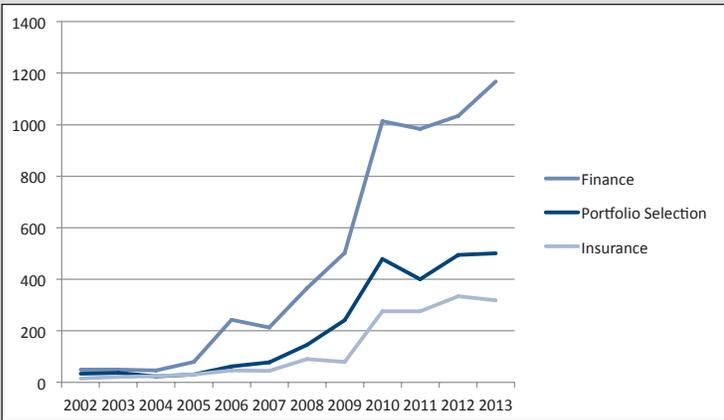
While the risk to a business can never be eliminated, careful monitoring of the issues described above can help to manage those risks. If you have any questions regarding this article or any other intellectual property matter, contact an MVS attorney.

## PATENTS FOR FINANCIAL SERVICES INVENTIONS CONTINUE TO FLOURISH

by Michael C. Gilchrist

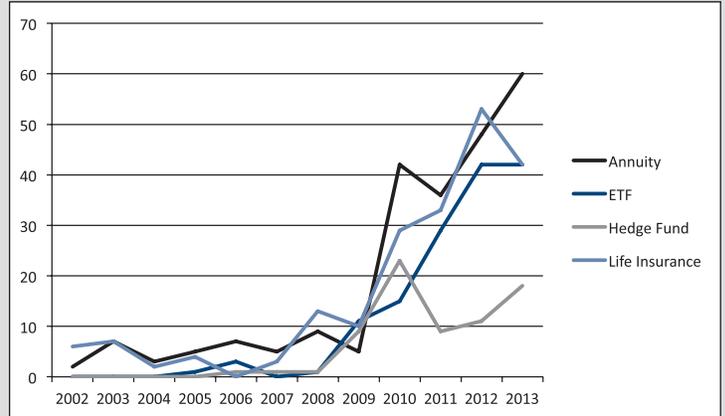
Virtually unheard of 15 years ago, patents related to financial products and services have proliferated in recent years. The United States Patent and Trademark Office refused to allow patent claims that were directed to methods of doing business until 1998 when the Court of Appeals for the Federal Circuit struck down that rule in a case called State Street Bank v. Signature Financial. The Patent Office and courts have struggled since State Street to determine what the limits on financial services related patents should be.

Nevertheless, as the graph below illustrates, 2012 saw record numbers of patents issued by the United States Patent Office in the sub-classes related to insurance (334), finance (1034) and portfolio selection (494). So far, 2013 is on pace to basically match the number of patents from 2012 in these sub-classes.



The rates turned sharply upwards between 2005 and 2010, and have continued to slowly rise since 2010 when the Patent and Trademark Office issued their Interim Guidance for Determining Subject Matter Eligibility. Despite the guidance being somewhat anti-patent on its face, the relative security of having specific guidelines appears to have given the Patent Examiners more confidence to allow cases and patent attorneys a better idea of how to craft their claims to meet the requirements.

The trend of various financial products has generally followed the same pattern. The most-commonly used terms in claims of issued patents include annuity, life insurance, and exchange traded fund. This year to date, patents using the term annuity in at least one claim have been more common than patents that include claims with the terms life insurance or exchange traded fund.



Below is a list of the financial services companies that have been the most successful in obtaining patents over the last nineteen months. Bank of America has received 137 patents since the beginning of 2012, followed by American Express with 114 issued patents. Other active companies include USAA, Visa, The Hartford, and Goldman Sachs.

Rank	Company	Patents Since 2012
1	Bank of America	137
2	American Express	114
3	USAA	96
4	Visa	81
5	The Hartford	57
6	Goldman Sachs	48
7	MasterCard	24
8	Citigroup	21
9	PNC	20
10	Wells Fargo	18
10	CBOE	18
12	Morgan Stanley	17
13	Experian	16
14	FICO (Fair Isaac)	14
15	Capital One	13
15	Allstate	13

While we continue to monitor the changing laws and standards applied to financial services patents, it is apparent that these patents will be an important tool for protecting innovative financial products and services for the foreseeable future. If you have any questions regarding this article or any other intellectual property matter, contact an MVS attorney.

## THE HAPPY BIRTHDAY SONG – COPYRIGHTED OR PUBLIC DOMAIN?

by *Luke M. Mohrhauser*

Many people may not realize that the Happy Birthday song (“Happy birthday to you...”) is a copyrighted work. In fact, it is estimated that the proceeds from use of the song, whether from use in TV shows, film, other media, or otherwise, brings the owner of the copyright, Warner Music Group, around \$2 million in revenue per year. This is why you never hear wait staff singing it at your favorite restaurant on your birthday, and why you get to hear whatever creative song letting the rest of the restaurant know it is your birthday the restaurant uses.

There is hope that this could change soon. A lawsuit has recently been brought against Warner Music Group alleging that there should have never been a copyright in the song, or in the alternative, that any such copyright expired in 1921. The suit was brought by Good Morning to You Productions, Corp. (“GMTY”), who was forced to spend \$1,500 to obtain a license to use the song.

The song originates (questionably) around 1893, under the name “Good Morning to All.” It was written and published by two sisters, Patty and Mildred Hill, who were teachers that wanted to engage their students in singing. The words were changed to the more-popular “happy birthday to you...” shortly thereafter. While the same melody was used for both songs, it is unclear as to who actually came up with the happy birthday words. However, it is known that a set of Happy Birthday lyrics was published in 1924, and a piano arrangement in 1935. This is the basis for Warner’s ownership rights in the song.

However, GMTY alleges that no copyright was ever filed for the words to the Happy Birthday song, even though it is clear that people were singing it in the early 1900s. There is evidence that it was sung in Indiana at least in 1901. In addition, it appears as though the first publication of the words to the song were published in 1907, which explicitly states to sing the song to the tune of Good Morning to You. It should be noted that the words to Good Morning to You, along with the melody, have had their respective copyrights expire in the 1920s and/or 1930s.

GMTY is asking the court to decide what ownership rights, if any, Warner would have in the Happy Birthday song. In particular, GMTY states that all copyrights to Good Morning to All have expired or been forfeited, and that the only potential copyright could cover the piano arrangements, which were published and copyrighted in 1935. As is included in the suit, “More than 120 years after the melody to which the simple lyrics of Happy Birthday to You is set were first published, defendant Warner/Chappell boldly, but wrongfully, insists that it owns the copyright to Happy Birthday to You, and with that copyright the exclusive right to authorize the song’s reproduction, distribution, and public performances pursuant to federal law.” GMTY is therefore asking that the court recognize that the Happy Birthday song be part of the public domain, for all to use. If they are successful, Warner, in addition to losing the rights to stop others from singing/using the song, may have to pay back royalties that they have improperly received from the licensing of the song.

This is something to keep in mind the next time you decide to go out for your birthday, and you hear a different tune serenading your celebration.

For an online copy of the complaint filed by GMTY, visit <http://www.scribd.com/doc/147645129/Happybirthday>.

As always, please contact an attorney at MVS for all copyright questions, along with any additional intellectual property right questions you may have.

## THE STORY OF SAMUEL HOPKINS: HOW HISTORY SOMETIMES BECOMES THE INVENTION

by *Jonathan L. Kennedy*

This past July 31st marked the 223rd anniversary of the first U.S. Patent, Patent X000001. Patent X000001 was signed by President George Washington, Secretary of State Thomas Jefferson, and Attorney General Edmund Randolph and issued on July 31, 1790. The patent was directed at an improvement “in the making of Pot ash and Pearl ash by a new Apparatus and Process.” It was invented by Samuel

Hopkins and that is where the controversy begins.

If you were to visit the little Vermont town of Pittsford, population 2,991, you would find a plaque honoring Pittsford’s very own Samuel Hopkins. The plaque, which was erected in 1956 by the Vermont Historic Sites Commission, reads as follows:

PITTSFORD

First U.S. Patent Issued In 1790  
To Samuel Hopkins who, in 1781,  
settled here on a farm  
about half a mile S.W. of this spot,  
was granted the first U.S. Patent.  
Signed by George Washington,  
it covered the making of pearl-ash.

On this ingredient of  
soap manufacture was founded  
Vermont’s first main economy.

This story has even come up recently in Congress when the Senate was about to vote on the Leahy-Smith America Invents Act and Vermont Senator Patrick Leahy commented that the first U.S. patent ever issued was invented by a Vermont resident. So you might ask, where is the controversy.

Well, if you were to talk with some historians, attorneys, and proud residents of Philadelphia, you might hear a different story. As it turns out, quite a bit of research has been done and a few articles published on this topic, most of which indicates that inventor Samuel Hopkins was not from Vermont, but was a resident of Philadelphia. The record tying inventor Samuel Hopkins to Pittsford, VT was first established in the 1930s by a genealogist who was doing research in Vermont. However, in the late 1990s, Philadelphia attorney David Maxey performed extensive research and came upon historical evidence that made him quite sure that the Samuel Hopkins who lived in Vermont was not the same Samuel Hopkins who was the inventor of the first U.S. Patent.

Maxey found a census that identified Samuel Hopkins in Philadelphia and described his occupation as “inventor.” The original U.S. Patent X000001 is kept by the Chicago Historical Society and it indicates that Patent X000001 was issued to “Samuel Hopkins of the City of Philadelphia.” Further research led Mr. Maxey to comment that “[Samuel Hopkins] pretty much lost his shirt trying to exploit the process in his invention.” Mr. Maxey’s research was published in the Journal of the Patent and Trademark Office Society and in The Pennsylvania Magazine of History and Biography. His research concluded that Mr. Hopkins was born

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into a Quaker family about fourteen miles north of Baltimore, Maryland and lived a comfortable middle class life until he got "the inventor bug."

So one might ask, why not just check the Patent Office records? Unfortunately, in 1836 there was a fire at the Patent Office and many early patent records were destroyed, including records from U.S. Patent X000001. In 2001, the Patent Office added to the fray of myths and stories surrounding U.S. Patent X000001's inventor by issuing a press release stating, "On

July 31, 1790 Samuel Hopkins was issued the first patent for a process of making potash, an ingredient used in fertilizer. The patent was signed by President George Washington. Hopkins was born in Vermont, but was living in Philadelphia, Pa. when the patent was granted." This story, however, contradicts both the Vermont Historic Sites Commission's plaque and Mr. Maxey's extensive research. The plaque indicates that inventor Hopkins settled in Vermont 1781. Mr. Maxey's research indicates that inventor Hopkins was born near Baltimore, Maryland and later moved to Philadelphia

where he primarily remained. Over the years other stories have arisen regarding who Samuel Hopkins was and where he lived and was born. Often the new stories are a blending of existing historical theories. While Mr. Maxey makes a very good point that Samuel Hopkins, inventor of the first U.S. Patent, was born in Maryland and lived in Philadelphia—not Vermont—it is likely that this controversy will continue and that stories of Mr. Hopkins will continue to be invented.

## CERTIFIED LICENSING PROFESSIONAL DESIGNATION

Scott Johnson has earned the Certified Licensing Professional (CLP) credential. Scott has been doing licensing work for a number of years and now joins a growing group of IP professionals who have demonstrated they are dedicated to higher standards of practice in the licensing industry. Scott is currently one of only three Certified Licensing Professionals in the state of Iowa. To become a Certified Licensing Professional, Scott met strict requirements in three areas:

- (1) Education (Scott has an undergraduate degree in aerospace engineering in addition to his law degree);
- (2) Experience (at least three years of professional-level experience involving the development, use, transfer, marketing, and/or management of IP within the past eight years); and
- (3) Knowledge (Scott passed the three-hour CLP examination on subject areas including strategy, opportunity assessment, IP protection, valuation, marketing, agreement drafting and development, negotiation and agreement management).



Contact Scott with any questions you have regarding licensing or any other intellectual property matter.

The Supreme Court of Iowa does not certify lawyers as specialists in the practice of law and certification is not a requirement to practice law in the State of Iowa.

## WE'RE THERE

### September 8-12

Jonathan Kennedy, Dan Lorentzen and Jill Link will speak at the *Chemistry in Motion Fall* meeting of the American Chemical Society in Indianapolis, IN.

### September 15-17

Heidi Nebel will attend the annual meeting of the Intellectual Property Owners Association in Boston, MA.

### September 17

MVS is a sponsor and Kyle Coleman and Jonathan Kennedy will attend the Innovation Expo Conference in Sioux Falls, SD.

### September 26

Ed Sease will attend a *Supreme Court IP Review* in Chicago, IL.

### October 13-16

Jill Link will give a presentation on *Copyright and Electronic Publications* for Sieloff and Associates, P.A. in Grenada Spain.

### October 24

MVS will donate a basket and attorneys will attend the Polk County Women Attorneys' 12th Annual Seasons of Change Basket auction in Des Moines, IA.

### November 7-9

Kirk Hartung will attend the Fall meeting for LEGUS International Network of Law Firms in Washington, D.C.

### November 8

John Goodhue will be speaking at an Iowa Engineering Law Seminar in Johnston, IA.

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