

THE ART OF INTELLECTUAL PROPERTY
- - Patent, Copyright, Trademark, and Trade Secret
Essentials for Professionals

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1. Introduction

In the Twelfth Century Dark Ages, science was a black art of sorcerers. It was not until the Leonardo Da Vinci and Sir Isaac Newton's of the world that this black art was unlocked for everyone to know, use, and appreciate.

Intellectual Property is the black art of the Twenty-First Century Information Age. Extensively practiced by patent attorneys and those few who have been educated in the art, few lay people know much about Intellectual Property, how to use it, or, for that matter, appreciate what it can do for a business.

With increasing pressure to create new business opportunities and revenue streams, entrepreneurs can no longer treat intellectual property as a black art. This paper attempts to unlock the secrets of intellectual property to the lay person so that every entrepreneur can see intellectual property for what it is – a key tool for helping businesses meet the challenges of the Twenty-First Century.

2. What Is Intellectual Property

Intellectual Property ("IP") is a property right in a product that is formed in the mind. The intellectual product or work can be an idea, invention, trade secret, process, program, data, formula, artistic expression or trade or service mark or other creative work. The property right can be in the form of a patent, copyright, trademark, trade dress, trade secret, or some other form of IP. Each form of IP provides a different shroud of protection to the intellectual product.

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The shroud of protection provided by each form of IP is defined by laws. Because IP protection is grounded in property rights, the shroud of protection provided by IP is a bundle of property rights. These rights are "property" rights in the sense that they are based on the legal right to exclude others from using the property and in that ownership of the rights can be transferred. As such, the bundle of property rights includes the right to own and sell and to exclude others from using the intellectual product.

To visualize the bundle of property rights that come from owning IP, a comparison of IP rights to the bundle of rights that come from owning a house is helpful. Table 1 contrasts those bundles of rights and the remainder of this paper addresses each of these rights for each of the major forms of IP.

Property Type	Real Property	Personal Property				
		Tangible	Intangible			
	House	Car	Patent	Copyright	Trademark	Trade secret
Title Evidence of Ownership	Guarantee Deed Simple Deed Quitclaim Deed	Car Title	Issued Patent	Registration or Unregistered Copyright Documentation	Registration or Unregistered Trademark Use Documentation	Trade Secret Documentation
Right to Own	Right to Own	Right to Own	Right to Own	Right to Own	Right to Own	Right to Own
Duration of Ownership	Unlimited duration	Unlimited duration	Utility and Plant - 20 years from date of filing Design – 14 years from date of issue Plant variety protection certificate - - 20 years from date of issue	Federal Registration - - For Work created on or after January 1, 1978 Life plus 70 years Or Shorter of 95 years or 120 years from creation if anonymous work (e.g., work for hire) or under pseudonym	Federal registration - - initially ten years, provided that an affidavit of continued use is filed in the sixth year. Thereafter, renewable for any number of successive ten-year terms provided that the mark is still in use in commerce as evidenced by an affidavit filed in the tenth year. State Registrations - - varies from state to state. Common law - - for so long as use of the trademark continues.	For so long as it remains a trade secret

Scope of Property	Meets and Bounds Defined in Deed	Vehicle Identification in Bill of Sale	Scope of Claims of Patent	Scope of Artistic Expression	Trademark and scope of goods and services	Scope of Trade Secret
Right to Possess (i.e., control)	Right to Possess	Right to Possess	Right to Possess	Right to Possess	Right to Possess	Right to Possess
Right to Exclude others from using the property	RIGHT TO EXCLUDE others from using your house	RIGHT TO EXCLUDE others from using your car	RIGHT TO EXCLUDE others Utility and Design - - from making, using, offering to sell, or selling any patented invention, within the U.S. or importing into the U.S. any patented invention Plant - - From asexually reproducing the plant, and from using, offering for sale, or selling the plant so reproduced, or any of its parts, throughout the U.S. or from importing the plant so reproduced, or any parts thereof	RIGHT TO EXCLUDE 1. Copying the work 2. Creating derivative works (i.e., works that are based on your work) 3. Distributing copies of your work (e.g., hard copies, digital copies, etc.) 4. Performing the work in public 5. Displaying the work in public	RIGHT TO EXCLUDE others from using the mark on your goods or services in the geographical area of your rights.	RIGHT TO EXCLUDE
Right to Use	Right to Use	Right to Use	NO RIGHT TO USE (right to use only if not infringing another patent)	RIGHT TO USE	RIGHT TO USE SUBJECT TO PRIOR USES	RIGHT TO USE
Right to Quiet Enjoyment	Trespass	Theft	Infringement Direct, contributory or by inducement	Infringement Any unauthorized copying or import of copies into U.S.	Infringement	Misappropriation
Right to Allow Others to Use	Lease	Lease	License	License	License	License
Right to Sell	Right to Sell	Right to Sell	Right to Assign	Right to Assign	Right to Assign	Right to Assign
Right to Enforce	Suit for Trespass	Suit for Trespass	Patent Infringement Suit	Copyright Infringement Suit	Trademark Infringement Suit	Suit for misappropriation of trade secrets
Infringement proof	Unauthorized entry	Unauthorized entry	Utility Literal or by equivalents Design Substantially similar plus Literal or equivalent point of novelty	Substantially similar	Likelihood of confusion	Existence of trade secret Reasonable measures to keep it secret Information derives value from not being public Misappropriation of trade secret

Table 1. Bundle of rights that come from owning property.

3. Patents

a. What is a Patent

A patent is a form of IP that protects an invention. A patent is a bundle of rights to an invention that is granted by a government to the patent holder. The patent grant is in the form of an issued patent. You must file an application with the Patent Office to secure the patent. The patent grant is for a limited duration of time. For a utility or plant patent, the life of the patent is 20 years from the date of filing. For a design patent, the life of the patent is 14 years from the date of issue. In exchange for the patent grant from the government, the inventor is required to disclose details of his invention to the public.

b. Types of Patents

There are essentially three kinds of patents. They are utility patents, design patents and plant patents.

Utility patents protect new products or compositions, structures, functional features, and methods or processes. Table 2 illustrates a new product and some utility patent protections that may be available to it.

New Computer Product	Available Utility Patent Protection
Product	Computer
Composition	Liquid Crystal used for Display
Structure	Clam Shell
Functional Feature	Circuit for Turning Off an Overheating Battery
Method	Software
Process	Process for making the computer or the liquid crystal

Table 2. Illustrative Utility Patent Protections on a New Product

Design patents protect the ornamental design for an article of manufacture. The design of Apple Computer's IPOD® is one example of an ornamental design protected

by a design patent. This design patent issued as design patent No. D497,618. The design patent protects only the appearance of the article, but not its structural or functional features. The structural or functional features of an article would be protected by a utility patent.

A plant patent protects a distinct and new variety of plant (other than tuber propagated plant or a plant found in an uncultivated state) that is discovered and asexually reproduced. Asexually propagated plants are those that are reproduced by other than from seeds, such as by the rooting of cuttings, by layering, budding, grafting, inarching, etc. A tuber-propagated plant is a short, thickened portion of an underground branch. The hybrid tea rose plant named 'TAN01994' is an example of a plant patent. The patent issued as plant patent PP16,463. A sexually reproduced plant is not patentable but may be protected by a plant variety certificate issued by the Plant Variety Protection Office of the U.S. Department of Agriculture. The life of a plant certificate is 20 years from date of issue.

While the protection provided by each kind of patent is different, the issued patent will generally include the following parts: (1) a disclosure of the invention, (2) drawings which show the invention, and (3) claims which define in legal terms what is patented.

c. Creation

Invention involves a two step process. First, the invention is conceived or "thought of". Anyone who contributes to the "thinking up" of the invention is an inventor. If more than one person contributes to the "thinking up" of the invention, the contributors are referred to as "joint inventors".

Practice Tip 1: As described later, an issued patent may disclose many inventions. But for a variety of reasons, not all inventions disclosed in an issued patent may be claimed. When determining which inventor to name on a patent, you need to look at the claimed invention and not the unclaimed inventions disclosed in the patent. As such, a person should be named as an inventor on the patent only if he contributed to the invention that is *claimed* in the patent.

The second step in the invention process is known as a “reduction to practice”. Actual reduction to practice is the building of the invention or, if the invention is a process, the actual performance of the invention. However, an invention need not actually be built or performed to be deemed to be “reduced to practice”. If a patent application teaches one skilled in the art to build or perform the invention, the invention will be deemed to be “reduced to practice” by operation of law on the filing of a patent application on that invention.

Inventorship, that is, who is an inventor, plays a fundamental role in patent laws. It is the inventor(s) who may receive the bundle of patent rights when a patent is issued unless the inventor has assigned or sold his invention to another person or entity. If the invention is assigned, then the assignee will receive those patent rights.

For any claim of inventorship to withstand challenge, the claim needs to be well documented. Without proof that you had possession of your invention, an inventor’s claim to the invention will fail. For this reason, every inventor should take great pains to record his invention in a manner that indicates that he created the invention. The use of laboratory books to record research activities and the practice of having witnesses sign entries made into the laboratory books is a proven way to demonstrate inventorship of an invention.

Practice Tip 2 - - Keep a record of your invention. Document your efforts leading up to the invention and the dates they occurred. Describe and diagram the invention and any modification. The documentation should be trustworthy (i.e., credible) and signed and dated by the inventor and by a witness.

Practice Tip 3 - - The typical way in which inventions are documented is by use of an inventor lab book. Electronic documentation provides an alternative way to documenting your invention provided that the electronic documentation is trustworthy. One way to enhance the trustworthiness of an electronic recording of your invention is to send the electronic recording by email to a witness recipient. The electronic transmission date stamps the email and a return acknowledgement

by the recipient that he read and understood the invention establishes the corroboration of the invention by the witness.

d. Patentability

Not every invention is patentable. For an invention to be patentable, the invention must be useful. The invention must also be novel and non-obvious. In addition, the invention and corresponding application must meet other requirements for patentability.

Novelty *on the one hand* means that the invention must *not* have been publicly disclosed, publicly used or offered for sale by you or your representative. Public disclosure can occur by traditional publication of a paper describing the invention. It can also occur by non-traditional posting of information about the invention on a Website. Public use can occur by testing without a confidentiality agreement. An offer for sale of a product that embodies the invention is an offer to sell the invention.

The U.S. laws provide a one year grace period of time after any of the foregoing events to file a patent on the invention before the invention will be deemed to be no longer novel. Outside the U.S., most countries follow an absolute novelty requirement. Those countries provide for no grace period of time to file the application after the occurrence of any of the foregoing events. In those countries, any one of the foregoing events will bar patentability of the invention.

Practice Tip 4 - - While reliance on the one year grace period to file a patent may be the strategy of choice for those inventors seeking U.S. patent protection only, such a choice should be made only with full realization that foreign protection will be at least largely forfeited. If practical, a better strategy is to preserve your global patent rights by filing a patent before any one of the foregoing events will bar global patentability of your invention. This will give the inventor the option to secure global patent protection at a later point in time. Because it is rare for an inventor to be able to predict the global reach of his invention early in the patenting process, by hedging your patent bets on a global patent strategy, an inventor can leave open the possibility of a global return on his invention.

Example 1 - - Engineer X of Company A has come up with an invention. He presents a paper on the invention at a conference. The publication has caused Company A to lose the ability to secure foreign patents on the invention. The publication has also started the one-year clock running on securing a U.S. patent.

Practice Tip 5 - - Before making any publication, public testing, or sale of the invention, be sure you file a patent application on you invention.

Practice Tip 6 - - If you are unable to file a patent application on a utility invention before going public with your invention, another way to protect your foreign patent rights is by filing a provisional patent application. A provisional patent application is a disclosure of your invention without the need to file any claims. Because the application is filed without claims, the application will not be examined by the Patent Office. The application will buy you an additional year to file a utility application. Before the year is out, however, you will need to either convert the provisional application into a utility application or file a separate utility application on your invention. A provisional patent application should disclose the invention as completely as possible since the only aspects of the invention that will be protected during the grace period are those that are disclosed.

Practice Tip 7 - - If testing or development outside the company is required to commercialize an invention, that outside testing or development should occur under a confidentiality agreement.

Novelty *on the other hand* also means that the invention is not already known to the public by someone else. If the invention has already been described by someone else in a publication anywhere in the world or someone else has already publicly used or sold your invention in the U.S., the invention may no longer be patentable in the U.S. because it is no longer novel. In other words, if the prior work or “prior art” of someone else reveals every element of your invention, it will bar patentability of your invention.

In the U.S., if the prior art was put into the public domain by someone else within one year of the date you file your patent application, U.S. law allows you to swear the date of your invention behind the piece of prior art. This means that you may be able to overcome the prior art if you are able to prove that you conceived of your invention prior to the date of the prior art. Among other things, you also need to demonstrate that you were reasonably diligent in reducing your invention to practice. If you are able to do so, you may be able to remove the prior art as a bar to patentability of your invention. However, because of the absolute novelty requirement in most countries, the existence of the prior art may without more bar patentability of your invention outside the U.S.

Practice Tip 8 - - The possible need to swear the date of your invention behind prior art that came into existence within the one year grace period of time an inventor has to file a U.S. patent underscores the importance of maintaining lab books or other documentation of your invention.

In addition to being novel, the invention must also be non-obvious. Generally, an invention is obvious if two or more pieces of prior art when combined describe or reveal all of the features of your invention. The prior art can be a publication or an existing product. There must also be some teaching in the prior art to combine those pieces of art. Otherwise the existence of those two pieces of prior art without more do not make the invention obvious. Obviousness can also exist based on a single reference, along with a motivation to modify the reference.

The patent laws specify a number of other requirements that need to be met for an invention to be patentable. For instance, the application must describe the invention, enable one skilled in the art how to make the invention, and disclose the best mode or form of the invention known to the inventor. The claims of the patent must clearly define the scope of the invention. In addition, during the time that the patent application is before the Patent Office, that is, during the time that the application is being prosecuted, the inventor has a duty to disclose all prior art he knows of that may impact patentability.

e. Title Evidence of Ownership. Right to Possess the Invention

Title of a patent is evidenced by the Issued Patent. When the patent is granted, the Patent Office will issue the patent instrument to the patent holder. The patent holder may be the inventor. If the invention has been assigned, the assignee of the invention will be issued the patent.

The patent instrument is a deed or title to the patented invention. The patent instrument is not unlike the deed to your house. Just like the deed to the house contains a legal description of the property, so too, the deed to the patent contains a legal description of the invention. The legal description of the invention is the claims. Each claim is a separate patented invention. Each claim of the patent separately describes the scope of the patented invention contained in the patent. Just like you can keep people from trespassing onto the property defined in the title to your house, so too, you can keep people from practicing the invention as defined in each patented claim in the issued patent.

Another property right of a patent is the right of possession. Possession means that the inventor has “control” over who can practice the patented invention.

f. Scope of Claims

Claims are nothing more than a listing of elements that make up the claimed invention and how those elements inter-relate. Table 3 provides a set of sample claims on the utility patent protections we have identified for our computer product example illustrated in Table 2 above.

New Computer Product	Sample Claim
Computer	A computer comprising: a keyboard for entering numbers or arithmetic operations and generating signals corresponding thereto; a processor for performing arithmetic calculations on the numbers entered on the keyboard and generating an answer;

	<p>a memory for storing the numbers entered on the keyboard,</p> <p>a display for displaying the answer.</p>
Liquid Crystal used for Display	<p>1. A liquid crystal used for a display comprising:</p> <p>polarizable rod-like organic molecules on the order of 20 Angstroms in length.</p> <p>2. The liquid crystal of claim 1 wherein the organic molecule has the following composition:</p> <p style="text-align: center;">[]</p>
Clam Shell	<p>A housing for a computer comprising:</p> <p>a top panel containing a display,</p> <p>a bottom panel containing a processor, memory and keyboard,</p> <p>wherein the top and bottom panel are connected to each other at one end to form a clam shell structure.</p>
Circuit for Turning Off an Overheating Battery	<p>A circuit for turning off a battery comprising:</p> <p>a comparator having a first and a second input and generating an output based on the comparison;</p> <p>the first input being set to a reference voltage that indicates a safe battery voltage level</p> <p>the second input being a signal indicative of the battery condition;</p> <p>wherein, on exceeding of the reference voltage by the signal indicating the battery condition, the comparator generates an output that disconnects the battery from the circuit.</p>
Software	<p>Method for disabling a computer virus comprising:</p> <p>detecting a computer virus;</p> <p>disabling the virus.</p>
Process for making the computer or the liquid crystal	<p>Process for making a computer comprising:</p> <p>forming a top panel;</p> <p>placing a display in the top panel;</p> <p>forming a bottom panel;</p> <p>placing a processor, memory and processor into the bottom panel;</p> <p>connecting the top and bottom panels at one end to form a claim shell structure.</p>

Table 3. Sample Claims

A design patent has only one claim. The claim in Apple Computer's IPOD® design patent reads as follows:

“We claim the ornamental design for a media device, substantially as shown and described.”

A plant patent also has only one claim. The claim on a Hybrid tea rose plant named `TAN01994` plant patent PP16,463 reads as follows;

“A new and distinct variety of rose plant of the hybrid tea class, substantially as herein shown and described, characterized particularly by its red and silvery-white flowers and its good bud-to-stem ratio.”

g. Right to Exclude.

A utility, design and plant patent gives the holder the right to exclude others from making, using or selling the patented invention. This means that no one can practice the patented technology without the authorization of the patent holder. If someone practices the patented technology without authorization of the patent holder, that person is infringing the patent. In that event, the unauthorized person can be sued by the patent holder for infringement of the patent.

The right of a patent holder to exclude others from practicing a patented invention can have great value or have little or no value at all depending on a variety of factors. Some of these factors may be outside the control of an inventor. For instance, some inventions are so far ahead of their time that technologies do not exist to enable those inventions on a commercial scale. But many factors impacting upon the value of the right to exclude are within the control of the inventor. One of the most important of these lies in the careful crafting of the claims that define the scope of the invention. This issue is further discussed in the section below on litigation.

h. No Right to Use

Just because you can exclude someone from making your invention does not mean that you yourself can practice your invention. Whether or not you can practice

your patent depends on whether or not there is another patent that still has life to it that prevents you from using one or more features of your claimed patent. If that patent prevents you from using one or more features of your claimed patent, then you cannot practice your claimed patent without running afoul of the other patent. That a patent does not give the holder the right to use his patent is a fundamental principle of patent law. Example 2 illustrates why this situation arises often and ways in which the problem is often resolved.

Example 2 - - Company X secures a patent on a product having elements A, B and C. Later, company Y secures a patent on a product having elements A, B, C and D. The earlier patent of Company X prevents Company Y from making product ABC and without product ABC, Company Y cannot make product ABCD. The later patent of Company Y prevents Company X from making product ABCD, although Company X can make product ABC.

Solution - - If Company Y wants to make product ABCD, Company Y will need to license patent ABC from Company X. Company X may decide to: (a) license patent ABC to Company Y, (b) cross-license patent ABC for a license under patent ABCD of Company Y, (c) not license Company Y. If Company X decides to not license Company Y under its patent ABC, Company Y will need to somehow deal with patent ABC. Company Y may decide to (i) not make product ABCD in order to steer clear of patent ABC, (ii) sweeten the deal it proposed to Company X for a license under patent ABC such as by paying higher royalties or including some other business concessions, (iii) try to invalidate patent ABC, or (iv) design around patent ABC.

It goes without saying that the existence of a prior patent may stand as a barrier to entry into the marketplace of any product, whether or not the product is patented. To proceed blindly with your product launch without any advance study of third party patents therefore is to risk inviting a patent infringement suit after you launch your product. There are few things more disruptive to a business than to get slapped with a patent infringement suit after introduction of a new product. Aside from the disruption,

the nightmare could end with a court ordered award of damages in favor of the patent holder and an injunction against further sales of your product. It thus behooves a company to search out problem patents before launching of a new product.

One of the most proven tools available to help businesses determine whether or not a problem patent exists is what is known as doing a “patent clearance search”. The patent search is a focused search of patents that may be relevant to your product. There was a time when these searches involved having searchers physically sift through stacks of patents at the Patent Office. In today’s Information Age though, searches are often done on electronic databases using keywords that identify general and specific features of your product or process. A skilled searcher will also identify the technical classifications that are likely to be given your invention by the Patent Office and design the search to include patents that fall into those technical classifications. Table 4 illustrates the different ways that a patent clearance search can help your business.

Different Reasons for Doing a Patent Search	The Benefits from Doing the Search
Determining if a problem patent exists	Helps you steer your product clear of problem patents.
Uncover other patents useable to invalidate the problem patent	Helps you defeat problem patent
Uncover existing patented technology for use as a technical solution	Paying royalties may be attractive alternative to spending your own R&D dollars developing alternative technology Patented technology may be cutting edge
Uncover expired patents for use as a technical solution	Expired patent can be practiced at no cost but only in the form described in the patent*
Helps you write a better patent application on your invention.	The results of your search provide a good background against which the reader of your patent can understand your invention. The results can help you to focus the description of your invention on the features of your invention that are more likely to be patentable.

Table 4. Different Ways a Patent Search Can Help Your Business

*Practice Tip 9 - - Note that any deviation in your technical solution from the exact form of the technology contained in the expired patent will itself need to be

cleared with a separate patent search to ensure that those deviations haven't steered your technical solution into a still unexpired patent.

Example 3 – From our previous example, Company Y does a patent search and uncovers an expired patent on product AB. Company Y can make product AB according to the teachings of the patent. However, this still does not allow Company Y to make product ABC which from our previous example is still the subject of patent ABC held by Company X.

Example 4 – Again using the previous example, expired patent AB can be practiced but only according to the teachings of the patent. You cannot substitute a product B' for B to make product AB' if that is not the teaching of patent AB. This is because there may be a patent on AB' that may still have life to it.

Practice Tip 10 - - Because many patents are improvements on earlier patents, before practicing an improvement patent, a patent holder should always do a search of relevant patents to determine whether there are any non-expired patents that may prevent the patent holder from practicing the patented improvement technology.

For a large company with many products though, patent searches may be cost and time prohibitive. These companies often take a three-prong strategy in dealing with problem patents. First, these companies will cross-license the patents of the major players in their core technology area since those players are likely to be the holders of the problem patents. Second, these companies are committed to maintaining technology leadership in their core business which increases the likelihood that their commercialized innovations predate problem patents. Third, these companies maintain an active patent program in their core technology area so as to *both* generate leading patents *and* develop the patent landscape know-how that comes from executing such a program. Patent searches are then used only when an important innovation falls outside of their core technology or in other select cases.

Practice Tip 11 - - The less versed you are in the patents covering the technical field of your product, the more likely it is you would benefit from doing a patent search before introducing your product. A start-up is more likely to benefit from doing a patent search to uncover problem patents than a business with a savvy patent program. The ongoing patent program of the savvy business may without more provide the business with sufficient knowledge about the patent landscape and of any problem patents that exist.

i. Right to Quiet Enjoyment

A patent holder has the right to enjoy (but not use) the patented invention in peace and without interference. Disturbance of quiet enjoyment can be an infringement for which a lawsuit may be brought to stop the infringement and/or obtain damages.

j. Right to License

A patent gives the holder the right to license his patented invention. A license is a contract between the patent holder, known as the licensor, and another party, known as the licensee. Under the license, the licensor grants the licensee the right to practice his patented invention. In exchange for the license grant, the licensee will typically provide something of value to the licensee. In many cases, the value provided by a licensee is a royalty payment. The payment can be structured to be periodically made so as to form an ongoing royalty stream to the licensor. The payment can also be structured as a one time up front lump sum payment. There are many other ways to structure the payment.

While royalty payments are the typical kind of value that patent holders receive for the patent, by no means are royalty payments the only kind of value that a patent holder can receive for his patent. The real value of a patent lies in the competitive advantage you gain by having the patent. There are five fundamental ways in which this competitive advantage can create opportunities and revenue streams for your business. These five ways are through: (a) license-out strategies; (b) license-in strategies; (c) business leveraging strategies; (d) capital formation strategies; and (e) patent defensive strategies.

License-out strategies involve the licensing out of patents in a way that supports your business. Table 5 shows a number of license-out strategies and some of their benefits and risks.

Strategy	Upside	Downside
License patent to augment your core sales. (direct use license)	If the market demand exceeds your production capability, you share in product deliveries made by your competitor. Supports a second source for your customer's product needs	If your production capability exceeds the market demand, you may lose market share because you have given away your competitive advantage. Could increase competitive pricing which could erode your margins
License patent for a non-competitive use (limited use license)	Creates a revenue stream from a market you are not presently servicing	You have created a competitor should you decide to enter that market
License patent for use in a geographic area (geographical area license)	Direct use upside if geographical area is one you are servicing If you are not servicing that geographical area, it creates a revenue stream from a geographical area you are not presently servicing	Direct use downside if geographical area is one you are servicing. If you are not servicing that geographical area, you have created a competitor should you decide to enter the market
R&D License	Creates new applications for existing markets Creates new applications for new markets	Licensee typically gets favorable licensing terms in exchange for R&D effort. (e.g., reduced royalty rate) Licensee could create and own significant improvement inventions which could shift control of the market to the licensee
License to after-market service providers	Creates a revenue stream from a market you are not presently servicing	You have created a competitor should you decide to enter that market

Table 5. Some Patent License-Out Strategies

License-in strategies involve taking a license out under a patent in order to create a business opportunity or revenue streams. You may need a license from a dominant patent holder in order to make your own product. In this regard, remember in the example 2 above where Company X held a patent on product ABC that prevented Company Y from making the product ABC part of its patented ABCD product. In that

example, Company Y needed a license from Company X before it could make its patented ABCD product. Even if your motivation for licensing-in a patent is unrelated to your own patent, there may be other reasons why securing a license may be advantageous. As one example, if you do not have the R&D capital to create your own technology, a license may give you access to technology without the R&D expense. As another example, even if you have the R&D capital to create your own technology, taking a license under an off-the-shelf patent may free up your R&D capital for use on other critical technical innovation.

Patents can be critical components of a business leveraging strategy. Patents can be used to strike strategic alliances, create joint ventures, or support franchising.

Patents can make your business more attractive to venture capitalists, investors or other sources of capital infusion. With the capital infusion, you can spend more on R&D, hiring, and other activities that can lead to more business opportunities and revenues.

A patent portfolio also gives you leverage in the event a patent or other lawsuit is brought against your company. The portfolio may give you bargaining chips to use in negotiating a patent cross-license or some other business settlement of the dispute.

The body of laws that govern patent licenses is the law of contracts which enforces the promises of people. A breach of a license provision in a contract would be enforced under the law of contracts.

k. Right to Sue for Infringement

The patent gives the holder the right to exclude others from practicing the patented invention. A person who practices the patent invention without authorization of the patent holder is deemed to directly infringe the patent. By practicing the invention is meant that the person is engaging in an activity, such as making or selling a product that includes every element recited in one or more claims of the patent. You can also infringe a patent if you contribute to or induce the direct infringement. Each element must be present in the product either literally or in some form that under the laws is deemed to be

its equivalent. For instance, in our computer example illustrated in Table 3 above, a person would infringe the patented clam shell structure by making or selling:

A housing for a computer comprising:

a top panel containing a display,

a bottom panel containing a processor, memory and a keyboard,

wherein the top and bottom panel are connected to each other at one end to form a clam shell structure

But if the person makes or sells a clam shell structure that locates the processor in the *top* panel, that person does not infringe the patent. This is because the claims require the processor to be located in the *bottom* panel. A product that locates the processor in the top panel of the housing does not infringe the claim, that is the patent.

The foregoing example points to the importance of including claims of different scope in your patent. In the previous example, a broad claim may have omitted any reference (i.e., recital) to locating the processor in the bottom panel. With a claim of that breadth, one example of which is shown below, the accused product that located the processor in the top panel would still infringe that broad claim because the claim does not limit where the processor is to be located.

A housing for a computer having a display, a processor, memory and a keyboard comprising:

a top panel,

a bottom panel,

wherein the top and bottom panel are connected to each other at one end to form a clam shell structure

Practice Tip 12 - On the one hand, the fewer the limitations in the claim, the greater is the likelihood that someone will infringe the claim. On the other hand, the broader a claim, the greater is the likelihood that some prior art unknown to

the patent holder exists that will cause the claim to be held invalid by a court or jury. Take, for instance, the illustrated broad clam shell claim in the above example. The broad claim might have snagged the infringer. But a piece of prior art on the broad use of clam shells structure with computers might have made the broad claim invalid.

Practice Tip 13 - - A good patent will have claims of different scope. An inventor should try to include claims in his patent that are of broad, intermediate and narrow scope. The broad claims are the likeliest to be infringed but will also face the greatest invalidity challenge. The intermediate and narrow claims provide differing possibilities of infringement as well as differing hedges against an invalidity challenge.

The body of laws that govern patent infringement is the law of torts which enforces the reasonable conduct of people. Infringement of the patent would be enforced by a patent infringement lawsuit brought under the patent statute.

When charged with infringement, an accused may defend on the grounds of non-infringement or invalidity of the patent. The accused may also counter-sue on his own patents or on some other basis.

Patent litigation is expensive. By one study, the cost of a patent lawsuit can exceed \$1,000,000 per every patent in the lawsuit. In addition, you never know what will happen in litigation. That uncertainty can create unexpected and significant other expenses. For instance, you may sue a company on one patent, expecting the cost of the lawsuit to be \$1,000,000. But you may find that the other company sues you back on two of their own patents. Overnight the \$1,000,000 you budgeted for your lawsuit got multiplied by three if the foregoing study is used as the measure of the cost of the litigation.

Practice Tip 14 - - The uncertainty of litigation underscores the importance of doing your homework in advance of bringing the lawsuit. Had the company in our previous example done its homework, it may have anticipated the counter-

claim by the accused on the two patents. The cost associated with defending the counter-suit could have been factored into the decision to bring the litigation.

Patent litigation is also disruptive to a company. Lawsuits can involve extensive document production and deposition of company witnesses. There are few things worse to a company than having key people sink time into the litigation at the expense of their important business duties. Having your key inventor sink time into the litigation may hurt your R&D program. Having your CEO sink time into the litigation takes him away from leading the company.

On the flip side, these are the sacrifices a company must be prepared to make in order to maintain its quiet enjoyment of the patented technology. If you allow infringements to go unanswered, your company will lose the competitive advantage it has the right to enjoy from its patent. Your company will also decrease its return on R&D dollars it expended in creating the patented technology.

Practice Tip 15 - - Your company should police your patent. In other words, you should watch the industry for any infringement of your patent. Any infringements should be taken up with your attorney to explore and implement legal options like sending a cease and desist letter to the unauthorized user followed up with legal action if the infringement continues.

We previously spoke about the value of patent clearance programs in developing know-how of the patent landscape. This know how can help you to steer clear of patents in the design of your product or to secure a license from the patent holder prior to the release of your product. If you uncover a problem patent or if one problem patent is brought to your attention, your patent attorney can help you to explore these and other options for dealing with the problem patent. It may be the opinion of your patent attorney that a license under the patent is not needed because your product does not infringe the patent or the patent is invalid. In that event, it is a good practice to secure that opinion from your patent attorney in writing. The reasonable reliance of a company on a written opinion on non-infringement is one factor that a Court or a jury will consider

when deciding whether or not a company acted reasonably in proceeding with sales of its product notwithstanding knowledge of the problem patent.

If a patent holder proves infringement, he may recover damages. If the infringer is a competitor, damages may be based on your lost profits. Reasonable royalties provide another basis for damages. If the infringement is found to be willful, the court may enhance the damages award up to three times the damages. In addition, if a basis is provided, the patent holder may also recover interest, costs, and attorney costs.

Practice Tip 16 - - An infringer is not liable for infringement until “notice” of the infringement has been given. If you are selling a patented product, you should consider marking your product with the number of your patent. Otherwise, you will not be able to collect damages based on infringement occurring prior to the date you give actual notice. There is no such requirement, however, if you do not produce a product. In that event, the “notice” requirement is satisfied by issuance of the patent.

Practice Tip 17 - - After filing a patent, you can mark your products with words like “U.S. Patent Pending” to provide notice that you are seeking patent protection on innovation in the product. In some countries, sales of an accused product that incorporates patent pending innovation prior to issuance of the patent may trigger damages to the patent holder after issuance of the patent.

Many countries provide additional protection for design patents. In the U.S., an infringer of a design patent is liable to the owner to the extent of his total profit, but not less than \$250. In a number of foreign countries, infringement of a design patent is a criminal offense.

4. Copyrights

a. What is a Copyright

A copyright is a form of IP that protects an artistic expression that is fixed in a tangible medium, that is in a fixed form. A copyright is a bundle of rights to an artistic expression that comes into existence on the creation of the work. The creation of the work without more creates the copyright. The holder can enhance the protection of the copyright by placing a copyright notice on every use of the work. The highest level of protection can be secured by registering the work.

b. Creation of the Copyright

A copyright comes into existence the instant an artistic expression is fixed in a tangible form. An artistic expression can be a literary work; a musical work; a dramatic work; a pantomime and choreographical work; a pictorial, graphic and sculptural work; a motion picture or other audiovisual work; a sound recording; or an architectural work. A tangible form is any stable medium that holds the artistic expression and allows it to be reproduced. The tangible medium can include writings, paintings, sculptures, photographs, sound recordings, video recordings, architectural drawings, engineering blueprints, computer software, computer displays.

A copyright protects an expression. It does not protect the content of the expression. Hence, ideas, concepts, principles, or facts are not copyrightable. The only thing copyrightable are the expression of those ideas, concepts, principles, or facts. Where there is only one way to express the underlying content, no copyright can exist for that expression of the underlying content.

To be copyrightable, the expression must be an “original work of authorship”. This does not mean that the expression needs to be new or unique. All that is required for the expression to be copyrightable is that the expression originates with the author (and is expressed in a tangible medium).

A copyright exists even if the work is not published. Publication is the “distribution” of copies of the work to the public by sale or other transfer of ownership, or by rental, lease or lending. For a work to be deemed to be “published”, the work must “change hands”. For example, the sale of a phono-record is a publication. A performance on television is not a publication for copyright purposes because the viewer does not walk away from the performance with a copy of the work. On the other hand, providing copies of a phono-record to wholesalers, broadcasters, or motion picture theaters for further distribution, public performance, or public display is a publication under the copyright laws.

Practice Tip 18 - - Whether a work is published or not has significant implications under the copyright laws. As one example, a work published in the U.S. must be deposited in the Copyright Office for the use by the Library of Congress. While this requirement does not affect your copyright protection, failure to deposit two copies of the work within three months from the date of publication in the U.S. may result in penalties and fines.

c. Notice

Notice is not required for a copyright to exist. But if your work is clearly labeled with a notice of copyright, copyright violators cannot claim that they did not know that the work was protected. Without notice, an innocent infringement defense may result in a reduction of damages due to the innocent infringement.

A typical copyright notice has three elements: (1) some indication that the work is copyrighted, such as, “©”, the word “Copyright” or words to that effect; (2) the year in which the work is created, or if the work is published, the year of publication; and (3) the holder of the copyright. In use, the notice for a published work might look something like this:

Copyright. Company X. 2001

For an unpublished work, the holder might want to still put a notice on any work that leaves his control. In that case, the notice might look like this:

Unpublished work. Copyright. Company X. 2001

While not required in the use, the use of the additional words "All Rights Reserved" is still required in some countries for there to be adequate notice.

d. Registration

Registration is not required for a copyright to exist. However, a federal copyright registration is required before a suit can be brought on the copyright in federal court. A registration also provides additional remedies and procedural advantages.

If you register within three months of the first publication, you can obtain statutory damages. Without statutory damages, a copyright owner must prove actual damages and any additional profits of the infringer. This is difficult to prove and often turns into a battle between accountants and economists. With statutory damages, a copyright holder can recover not less than \$750 or more than \$30,000 per infringement. In addition, if the court finds that the defendant's behavior was "willful," the court has discretion to increase the award of statutory damages to a sum of not more than \$150,000 per infringement.

Registration also provides a public record of ownership of the copyright. A registration further provides evidence of the validity of the copyright and of the facts stated in the certificate.

Practice Tip 19 - - If the significance of the harm to your business from copying is great, you should register your copyright. This rule of thumb should be followed even if the copyright is not publicly available.

e. Title and Ownership

Title of a copyright is evidenced by the artistic expression, and if registered, the copyright registration. When copyright registration is granted, the Copyright Office will issue the copyright instrument to the copyright holder. The copyright holder may be the creating artist. If the copyright registration has been assigned, the assignee of the registration will be issued the registration.

The author of the work is the owner of the copyright. An exception to this rule is when the “work-for-hire” rules apply. Under the work for hire doctrine, the employer is the author of the work in two instances. The first is if the work is created by an employee within the scope of his employment. The second is when the work falls within one or more of the nine statutory categories, where the agreement commissioning the work is documented in writing and the agreement is signed by the author before the work begins. The nine statutory categories include: (a) a contribution to a collective work, (b) part of a movie or other audiovisual work; (c) a translation; (d) a supplementary work; (e) a compilation; (f) an instructional text; (g) a test; (h) answer material for a test; (i) an atlas.

Notwithstanding the above, if the author, or in the case of a “work for hire”, the employer, assigns the copyright, the assignee is the new owner of the copyright. Table 6 illustrates a number of artistic expressions, whether a copyright exists, and who is the holder of the copyright.

Artist	Artistic Expression	When Created	Copyright Holder
Jake the singer	Thinks of lyrics during lunch	No copyright since lyrics not fixed in a reproducible format	No copyright to hold
Jake the singer	Jots down lyrics on a napkin in between bites of a sandwich	When he jotted down the lyrics	Jake
Dagger the guitarist	During a jam session, he strings a set of tones that he develops into a melody for a song	No copyright since melody not fixed in a reproducible format	No copyright to hold
Dagger the guitarist	He records the melody onto a digital memory disk	When he recoded the melody onto the disk	Dagger
Charlie the drummer	While flipping through the	When he took the	Charlie

	photo album of pictures he took on the band's last tour, he finds a perfect photo for CD album cover	picture	
Studio	The band plays the song at the Studio and the Studio records it	When the song was recorded	The band unless the band assigned rights over to the Studio
Studio	The Studio hires a painter to do a painting for the jacket of the CD. The Studio designs a CD jacket using Charlie's photo and the painting	When the photo and painting are married together into the jacket	Charlie owns the copyright in his photo The artist owns the painting for the jacket unless he assigned the rights over to the Studio The CD jacket melding the photo and painting together is a derivative work owned by the Studio
A Fan	Takes a picture of the Band while performing	When the picture is taken	The Fan owns the copyright in the picture
A Reporter	Interviews the Band on a tape recorder for a Newspaper article	When the interview is recorded on tape	The Reporter unless he assigned the rights over to the Newspaper
A Reporter	Writes an article for inclusion in the next day's paper	When the article is written	The Reporter unless he assigned the rights over to the Newspaper
A Freelance Reporter	Interviews the Band	When the interview is recorded or notes are taken	The Freelance Reporter
A Freelance Reporter who has sold her story to Band Magazine	Interviews the Band	When the interview is recorded or notes are taken	The Band Magazine

Table 6. Examples of Copyright Creation and Who Owns the Copyright.

f. Duration

The duration of a copyright depends on when the work was created, published or registered as shown in Table 7.

Date of Work	Term
Created on or after January 1, 1978	Life plus 70 years Or Shorter of 95 years or 120 years from creation if anonymous work (e.g., work for hire) or under pseudonym

Created Pre-January 1, 1978 but not published or registered	Generally, life plus 70 years Or Shorter of 95 or 120 years for anonymous or pseudonym work
Published Pre-January 1, 1978 and used with © notice or registered and renewed	Generally, 95 years

Table 7. Duration of Copyright Protection.

f. Bundle of Rights

A copyright gives the owner of the copyright the exclusive right to do and to authorize others to do the following:

1. Copy the work
2. Create derivative works (i.e., works that are based on your work)
3. Distribute copies of your work (e.g., hard copies, digital copies, etc.)
4. Perform the work in public
5. Display the work in public

You have the right to use the copyright exclusively. You also have the right to authorize others to enjoy one or more of your rights.

Example 5 - - Anna sells her painting at an art gallery. Mary is the buyer. Mary has the right to display Anna’s painting in a private area, like a home. However, Mary could not display Anna’s painting in public without Anna’s permission.

Example 6 - - Jake buys a novel at the store. While Jake can read, use, lend or resell the book, he cannot reproduce, adapt, distribute copies, or perform or display the work in public.

In many countries, a creator of a copyright is also granted certain “moral rights” that relate generally to protecting the reputation and honor of the author. The U.S. copyright laws provide authors of a work of visual art with limited moral rights. Specifically, the author of a work of visual art has certain moral rights respecting the right of attribution (e.g., to claim authorship of that work and to prevent the use of his name as the author of any work or visual art which he did not create) and the right of integrity (e.g., to prevent intentional modification of that work and destruction of a work of recognized stature).

g. License

Not unlike patents, copyrights can give you a competitive advantage. They can create opportunities and revenue streams for your business through: (a) license-out strategies; (b) license-in strategies; (c) business leveraging strategies; (d) capital formation strategies; and (e) copyright defensive strategies.

Example 7 – In 1985, Michael Jackson paid \$47.5 million to acquire the ATV Music catalog which included about 4,000 songs including 200 tunes penned by the Beatles. In 1995, Michael Jackson used his catalog to raise money by striking a deal to merge ATV with Sony’s publishing arm. Later, Michael Jackson used his remaining 50% stake in the catalog as collateral for loans. Most recently, in order to secure additional financing, he granted Sony an option to secure half his stake. Throughout this time, Michael Jackson collects royalties every time a Beatle tune in his collection is played in public.

Unlike patents, if all you want to do is to enjoy your copyright entirely by yourself, you can do just that.

h. Litigation

For there to be copyright infringement, the similarity between the two works need not be literally identical in every respect. In other words, the copyrighted work need not be copied *verbatim*. Copyright infringement will be found if the work is substantially similar to the underlying copyrighted work. Also, the intent or state of mind of the

infringer is irrelevant to copyright infringement. However, innocent infringement can lead to a reduction in infringement damages.

We have already addressed the need to federally register the copyright in order to start a copyright infringement lawsuit in federal court. We have also already addressed how important statutory damages can be to any lawsuit on your copyright. Statutory damages are only available if you have registered your copyright within three months of its publication.

In addition to damages, any willful infringement for purposes of commercial or private financial gain by the reproduction or distribution of one or more copies of copyrighted works which have a total retail value of more than \$1,000 is punishable as a criminal offense.

There are several defenses to infringement. One defense is independent creation. If the alleged infringer has independently created the expression you have copyrighted, that independent creation is a defense to infringement.

Another defense to infringement is fair use. For an unauthorized use of a copyright to qualify as a “fair use”, the unauthorized use must satisfy four criteria.

First, the courts will look at the purpose of the copying. Specifically, the courts will look at whether the new work transforms the original work or whether the work goes beyond the original. Copying to support a nonprofit or educational purpose are more likely to be considered a fair use. Parodies, namely, works that poke fun at a copyright, are also more likely to be considered a fair use.

Second, the courts will look at the nature of the copyrighted work. Specifically, the courts will look at the type of material that has been copied. If the work that is copied is a published work, out of print, or more factual, the copying is more likely to be considered a fair use. The copying of a work that is unpublished, still in print, or creative is less likely to be considered a fair use.

Third, the courts will look at the amount and substantiality of the portion of the copyrighted work used in relation to the copyrighted work as a whole. Specifically, the courts will look to see how much of the copyrighted work has been copied. If a smaller percentage of the work is used or less significant portions of the work is used, the copying is more likely to be a fair use. The copying of a large percentage of the work or significant portions of the work is less likely to be considered a fair use.

Fourth, the courts will look at the effect of the use on the potential financial loss to the copyright holder. In making this determination, courts will look at whether the copied and original works appeal to the same audience. If the copied work is targeting a different audience, the more likely it is to be considered a fair use.

Not unlike patents, copyright litigation can be very disruptive to your business. So the best defensive strategy to minimizing exposure to copyright infringement is to respect the copyrights of others. If you need to use copyrighted work be sure you secure authorization from a copyright holder unless an independent creation or fair use defense applies. If you are a copyright holder, then you should police your copyrights for possible infringements. Copyright litigation may be required to protect your copyright.

Example 8 - - Steve manages a group of five team leaders. Steve takes his team leaders off-site for a leadership meeting. In order to instill in his team leaders the importance of team work, during one of the sessions, Steve plays portions of the movie Gladiator® to his team. Did Steve run afoul of the copyright laws by doing this?

Answer - - Yes. Steve's playing of portions of the movie is not likely to be a fair use given the commercial purpose of the performance. Steve should have secured permission to play the movie at his meeting.

Practice Tip 20 - - If you want to use a copyrighted work, you must obtain the permission of the copyright holder before the use. If the copyrighted work is a musical piece, one place to look for authorization to use a copyrighted work is www.ASCAP.com. ASCAP, which is short for the The American Society of

Composers, Authors, and Publishers, represents over 230,000 U.S. composers, songwriters, lyricists and music publisher.

Practice Tip 21 - - If the copyrighted work you are seeking to use is a publication, one place to look for authorization is www.copyright.com. This is the Web Site for the Copyright Clearance Center which acts as a clearing house for many publications.

Practice Tip 22 - - To secure permission to play the movie Gladiator®, you may need to contact the production company Dreamwork Pictures® directly.

i. DMCA

The Digital Millennium Copyright Act provides a safe harbor for online service providers. This limits Internet service providers from copyright infringement from transmitting information over the Internet. If, however, a user's Web site includes material that appears to be a copyright infringement, the provider is expected to remove the infringing material from the user's Web site. The Act also makes it a crime to go around anti-piracy measures built into commercial software.

4. Trademarks

a. What is a Trademark

A trademark is a form of IP that protects any word, name, symbol, sound, color or combination of these elements that distinguishes a good or service. Some examples of marks used for goods or services are Kodak® film, Nokia® cell phones, the shape of a Coca-Cola® bottle, the pink color of Owens-Corning® insulation, the hog sound of a Harley-Davidson® motorcycle, the jingle used in Intel® commercials.

By “distinguishing a good or service” is meant that the mark identifies the source of the goods and hence the quality of the goods. If you buy a Coca-Cola® soft drink, you know that the soft drink comes from the Coca-Cola company. You also know that the soft drink you are buying will have a certain quality – that sweetness, effervescence,

taste, color, etc. that you have come to expect every time you buy a Coca-Cola® soft drink. The Coca-Cola company carefully controls the quality of every aspect of its product – from production all the way down to shelf space at a local store. That consistent high quality is what the consumer recognizes when it buys a Coca-Cola® soft drink. When you buy an unbranded soft drink, you never quite knows what to expect of the quality of the drink.

By “goods or services” is meant the specific type or range of products or services with which the mark is used. The trademark protects only those range of products or services on which the mark is used and natural extensions of those range of products or services.

b. Creation of the Trademark

In the U.S., trademark rights are created by actual use of the mark, not by registration. Upon actual use of the mark, you will have common law rights to the mark.

Registration is not required for a trademark to exist. However, a federal trademark registration is required before a suit can be brought on the trademark in federal court. A registration also provides additional remedies and procedural advantages.

In addition, an intent-to-use application may protect your right to secure a federal registration on your mark in advance of your actual use of the mark on a product or service.

In many foreign countries, trademark rights depend on registration of the mark with the local trademark office.

c. Registration

A mark can be federally registered unless it is (a) a generic (i.e., common) word; (b) a surname; (c) geographically descriptive or misdescriptive; (d) scandalous or immoral; or (e) deceptive.

In the U.S., registration is not a prerequisite to having trademark rights. But a registration provides you with additional benefits not provided under the common laws. Registration of the mark can occur at the federal and state level and each registration provides a different bundle of additional rights. On the other hand, in many foreign countries, trademark rights depend entirely on the successful registration of your mark.

A federal registration gives you exclusive rights to use the mark in connection with your products or services throughout the jurisdictions of the United States. In effect, the registration gives you a nationwide claim to your mark in connection with your products and services. Moreover, after five years, the registration becomes incontestable. This means that your mark can no longer be challenged or cancelled except on very narrow grounds. These grounds could be things like fraud in the procurement of the registration or that the mark no longer satisfies the requirements for registration because the mark has become a generic, scandalous, immoral, or deceptive term.

In addition, the registration serves as public notice of your rights. Every time a company searches the federal trademark register for the purpose of clearing the use of a new mark, your federal registration will appear in the results of the clearance search. Once registered, you can mark your trademark with the registration symbol ® or circle “s”. By properly marking your trademark you provide notice to the public of your ownership of the mark every time you sell a product. Further, the use of your trademark on your product distinguishes your product from other products that may appear alongside your product on customer shelves, advertisement or promotional materials. The use of the registration symbol on your product alongside your business name reinforces the consumer awareness of the connection between your product and your company as the source of the product.

Practice Tip 23 - - Before a mark is registered, you should properly mark your product with the letters “TM”. If the mark is used on a service, you should use the letters “SM” on materials associated with your service. Once registered, you should mark your trademark with the registration symbol ® or with a circle “s” if the mark is a service mark. As an example of trademark marking, the mark

Cheesetwist for use on cheese products and services would be marked as follows: Cheesetwist®, Cheesetwist (circle “s”), Cheesetwist™, Cheesetwist (circle “s”).

Practice Tip 24 - - In a footnote, you should also indicate that the mark is either “Reg. U.S. Patent and Trademark Office” or, if the mark is not registered, “Cheesetwist is a trademark [or service mark], of [company name].” You can direct the purchaser to the footnote by placing an asterisk (*) or similar symbol next to the trademark.

Failure to use a registration notice limits the remedies available to a trademark owner in a lawsuit and is required for a trademark holder to recover damages and profits in a suit for infringement, unless the defendant had actual notice of the registration.

If your registration without more does not steer companies away from infringing your mark, a cease and desist letter forwarding a copy of your registration sends a strong message of the solid grounding of your claim and the uphill battle the infringer is facing should he continue his infringement. If the matter escalates to litigation, the federal registration allows you to bring your trademark infringement suit in federal courts. Once in court, your registration serves as evidentiary proof of your trademark rights and helps you meet your burden of proving infringement.

The registration also serves as one basis for obtaining registration in foreign countries. U.S. is a party to the Madrid Agreement which provides for registration of trademarks in various countries. After registration of your mark in the U.S., you can make an application at an international office for an international registration indicating the countries in which you want your trademark registered. The international office passes your application on to each of the countries you have designated in your application. Those countries have one year in which to refuse your registration in their country. Another way to obtain a registration in one or more foreign countries is to file your registration directly in each country.

A federal registration may also help block importation of goods that infringe registered marks. To get this benefit, you should register your trademark registration

with the U.S. Customs and Border Protection to have the CBP target, intercept, detain, seize and forfeit shipments that infringe your trademark.

A federal registration is also helpful in defeating a third party claim to a domain name that infringes your mark. The World Intellectual Property Organization (WIPO), which arbitrates domain name disputes, gives trademark registrations great weight when deciding domain name claims.

State registrations provide a different bundle of rights that vary from state to state. The registrations are generally easier to obtain than a federal registration. The state registration provides notice of your rights in the state. Enforcement of those rights occur in state court.

d. Selecting a Trademark

A trademark will generally fall into one of four categories, namely: (a) fanciful marks, (b) arbitrary marks, (c) suggestive marks, and (d) descriptive marks. Together, these categories define a spectrum of the potential relative strength of the mark. A mark that is fanciful has the potential to be the strongest mark, while a descriptive mark is likely to be weak.

A fanciful mark is one that has no meaning. An arbitrary mark has some meaning to the public, but when used with your product, does not suggest or describe any quality of the product. A suggestive mark suggests some quality or character of your product but does not describe any quality of your product. A descriptive mark describes a quality of your product. Table 8 contains a listing of these categories of a mark together with some examples of trademarks in each category.

Category of Mark	Marks Illustrative of this Category
Fanciful	Kodak® (film), Pepsi® (soft drink)
Arbitrary	Cars® (new wave band of the 1970's)
Suggestive	Mustang® (automobile)
Descriptive or Quasi-Descriptive	Coca-Cola® (i.e., coca' leaves + `kola' nuts, flavorings in the drink)

Table 8. Categories of Marks and Illustrative Examples

While the category in which a mark falls into may define its potential for becoming a strong mark, whether or not the mark becomes strong ultimately depends upon the quality of the product and the quality of the marketing that goes into selling the product. Consistent quality in product and marketing will lead to increased consumer awareness of the quality of the product and source of the product represented by the mark. In turn, a publicly perceived strong mark will lead to increased sales of the product. Therein lies the value of a trademark.

At the end of the day, a trademark asset is only as good as the quality of the product and the source of the goods. Take the Coca-Cola® trademark as an example. Notwithstanding its origin is arguably a quasi descriptive mark, the billions of capital that the Coca-Cola Company has sunk into improving and maintaining the quality of its product, and implementing and enforcing quality control and marketing measures has made the Coca-Cola® trademark one of the most recognized trademarks in the world.

Trademarks are never granted on a generic mark. A generic mark is a mark that describes a whole class of similar products. An example of a generic mark would be use of the mark “Cheese” to identify a cheese product. The mark fails as a mark, because it does not distinguish your cheese over other cheese products.

Practice Tip 25 - - When selecting a trademark, a good strategy is to think global. A good global mark should be easy to read, pronounce, spell and remember in the languages of your intended use. The global mark should have no negative connotation in the languages of use. It should cause no confusion about your product or the attributes that you want your product to convey. Lastly, a good global mark will be easy to use in advertising.

e. Ownership

Title of a trademark is evidenced by the evidence of use of the mark in commerce prior to the use of the mark by another. A bill of sale of a product bearing the mark is one proof of such use. If the mark is registered, the federal or state registration is evidence of title. When a trademark registration is granted, the Patent and Trademark

Office will issue the trademark instrument to the trademark holder. The trademark holder may be the person or entity that used the mark. If the trademark registration has been assigned, the assignee of the registration will be issued the registration.

f. Duration

The duration of a common law trademark is for so long as the use of the mark continues.

The federal registration is valid for an initial ten (10) years provided that an affidavit of continued use is filed in the sixth year. Thereafter, the federal registration is renewable for any number of successive ten-year terms provided that the mark is still in use in commerce as evidenced by an affidavit filed in the tenth year.

The duration of a state registration varies from state to state. The duration of a foreign registration varies from country to country.

g. Bundle of Rights

A trademark gives the owner of the trademark a limited exclusive right to the use his mark. The exclusive right is limited to the use of the mark *on the class of goods* the mark has become associated with. The exclusive right is limited to the use of the mark on that class of goods *in the territories* in which the mark is used or in the case of a registration the geography covered by that registration. In addition the right is limited to excluding *subsequent users* of the mark. Your trademark does not prevent others from using the mark on a different class of goods or on the same class of goods outside your territory of rights. Your trademark also does not prevent prior users of the mark on the same class of goods in the same territory of your use. The following examples illustrate these points.

Example 9 - - Company A uses the mark “Cheesetwist” on a cheese product in the southern part of Texas. Company A does not register the mark. Subsequently,

Company B begins to use the same mark on similar products in all of Texas.
 Company C uses a similar mark on similar products but only in New York.

Because Company A’s rights in the mark is prior to Company B’s use, Company A has the right to exclude or keep Company B from using the mark in the southern part of Texas only which is the geographical scope of Company A’s rights. Company B can continue using the mark in northern Texas and Company C can continue using the mark in New York because those uses occur outside the geographical scope of Company A’s trademark rights.

Example 10 - - Same scenario except that Company C secures a federal registration on the mark. At the time of filing for the registration, Company C did not know of the use being made of the mark by Company A. Company A used the mark before Company C but the use by Company B occurred after Company C filed for the federal registration. When Company C learns of the uses being made of Company’s A and B, Company C tries to keep Company’s A and B from using the mark.

Because Company A’s use predates Company C’s use, Company C cannot prevent Company A from continuing the use of the mark in the southern part of Texas. However, Company C’s registration will keep Company B from further use of the mark unless Company C waits too long to enforce his rights.

h. Trademark Use

As with any piece of property, if you don’t use it properly it will quickly lose its value. By following a few basic rules of use you can retain the distinctiveness of your mark. Table 9 lists a number of those rules with illustrative examples.

Rule of Use	Illustrative Example	
	Proper Use	Improper Use
Use it as an adjective	Buy “Cheesetwist” cheese today.	
Use it before the noun	Buy “Cheesetwist” cheese today.	Buy a cheese “Cheesetwist” today
Never use it as a noun		Buy a “Cheesetwist” today

Never use it as a verb		Are you “Cheesetwisting” yet?
Since not a noun, never use it as a possessive word		“Cheesetwist’s” burger
Since not a noun, never use it as a plural word		Buy a bag of “Cheesetwists” today.
Use the TM or ® symbol. Place the symbol immediately after the trademark in superscript	Cheesetwist® when used by Company C in Example 10. Cheesetwist™ when used by Companies A and B in Example 10.	
Use your mark in a consistent way		
Set your mark in all capital letters, initial capital letters, quotation marks, or combination of above .	CHEESETWIST cheese “Cheesetwist” cheese	
On a product or service, the use of the mark should indicate the registrant of the mark	Cheesetwist® is a registered trademark of Company C. Cheesetwist™ is a trademark of Company A	
In a publication, the first use of the trademark should indicate the registrant of the mark	On page 1, indicate Cheesetwist® is a registered trademark of Company C. On following pages, you can use the mark Cheesetwist® without corporate designation	
Implement and maintain quality control measures in your company	Ensure quality control in making your product and distribution and sales Train your employees in the proper use of trademarks	
Implement and maintain quality control measures in licensing your trademark	Define quality control guidelines that licensee must follow, including your right to audit the uses. Monitor and control your licensee’s compliance with these guidelines and use of your mark. Terminate a license if licensee fails to comply with quality control measures.	
Police your mark	Watch the marketplace (e.g., conventions, Websites, etc.) for any uses of your mark and take action - - send cease and desist letter to unauthorized user and follow up with legal action if unauthorized use continues. Watch the federal and state trademark registry for any registrations of your mark and take action - - initiate an	

	opposition or cancellation proceeding	
Keep written records of the use of your mark		

Table 9. Trademark rules of use.

i. Right to License

Not unlike patents, trademarks can give you a competitive advantage. They can create opportunities and revenue streams for your business through: (a) license-out strategies; (b) license-in strategies; (c) business leveraging strategies; (d) capital formation strategies; and (e) trademark defensive strategies.

Brand licensing, brand extension licensing and franchising are three business relationships commonly used to leverage a trademark. Under a brand license, a trademark holder licenses a company to provide goods to a marketplace not served by the licensor. The goods may be the goods of the trademark holder. For example, the trademark holder may make products and sell those products in the U.S. but license other companies to sell those products outside the U.S. Alternatively, a trademark holder may be a company that holds the trademark but makes no products. Rather, it licenses other companies to make and sell products under the trademark. An example is a global company that holds the trademark asset and licenses its subsidiaries to make and sell products under the trademark.

Under a brand-extension license, a trademark holder licenses a company to use the trademark on goods that are typically not of the kind sold by the trademark holder in order to extend the reach of his trademark beyond the core goods sold by the trademark holder. A company must always take great care to ensure that every brand-extension license enhances the licensed brand. Because every brand invokes a unique set of attributes in the mind of the buyers of the branded products, a brand-extension license should be granted only to those products that share the same attributes as the branded product. In this way, the brand-extension use will reinforce the attributes of the house-brand.

Example 11 - - Company A sells an upscale cell phone under its house-brand. Company A is considering licensing its brand to a candy company to sell candies in a container shaped like Company A's cell phone. Company A decides against granting the brand-extension license because the attributes of the candy – e.g., sweet, inexpensive, short-term gratification – cuts against the attributes Company A has developed and wants to maintain for its trademark – e.g., upscale, expensive, long-term gratification.

Example 12 - - Company A is considering licensing its brand to an upscale car company. Company A grants the brand-extension license for a limited edition car because the attributes of the car – e.g., upscale, expensive, long-term gratification – reinforce the attributes of the brand.

A trademark license may also play a big role in a franchise. A franchise is a business arrangement in which a business operation is licensed to an operator usually for a buy-in fee and annual payments.

Example 13 - - One example of a franchise is a McDonalds® restaurant franchise. On payment of franchising fees, the franchisee is granted a know-how license on things like how to make the food and how to lay-out the design of the restaurant. The franchisee is granted a copyright and/or trade dress right under things like the McDonalds® signs, menus, and packaging. The franchisee is also granted a license under the McDonalds® trademark. The license grants are all limited to the location of the restaurant. In addition, the franchisor provides advertising and training.

Regardless of the licensing program you adopt for your trademark, it is critical that every license you grant be done on terms that control the quality of the use of the mark. The license should provide for periodic audits to allow the holder to ensure compliance with the quality control measures. If the licensee fails to comply with the quality control measures, you should have the right to terminate the license.

j. Right to Sue

The trademark gives the holder the right to exclude subsequent users from using the trademark on the same class of goods in the territory of your rights. A person who uses the trademark without authorization of the trademark holder is deemed to infringe the trademark.

The use of a trademark by a subsequent user is an infringement if it is likely to cause consumer confusion as to the source of the goods. In deciding whether a subsequent use is an infringement the Courts will look at a number of factors. The Courts will look at the similarity in conflicting marks, the relationship between the users, the strength of the senior user's mark, the marketing channels used by each mark, how careful purchasers are in selecting goods, the "intent" of the subsequent user in selecting his mark, evidence of actual confusion, and likelihood of expansion in product lines.

If the identical mark is being used on the same product, the infringement is often clear. On the flip side, the use of an identical mark on an unrelated product would be a non-infringement in most instances. The gray area in trademark disputes lies between these two extremes. If a mark is not identical but substantially similar in sound, appearance and meaning, infringement will turn on the above factors.

Example 14 - - Company X decides to sell computers. It uses the mark "Apple" on its computers. Apple Computer, Inc. is the holder of trademark rights in the Apple® mark for use on computer goods. Company X's use of the identical "Apple" mark on the same product type is an infringement.

Example 15 - - A long-standing trademark lawsuit has been between the Beatles' Apple Corps and Apple Computer. Until Apple Computer introduced its IPOD® product, the two companies peacefully co-existed in their use of the "Apple" mark. The premise for their co-existence agreement was that consumers are not likely to think that the computers are being made by the record company, or vice versa. Apple Corps challenged that premise in a recent lawsuit it brought in connection with Apple Computer's IPOD® product downloading of musical tunes. The court ruled in Apple Computer's favor finding Apple Computer's use of the logo to be in association with a music store and not the music.

Example 16 - - Company X decides to use the mark Apel on its computer products. Because of its substantial similarity with the "Apple" mark, Court's

will look to the indicated factors to determine whether Company X's use constitutes an infringement.

One instance in which use of an identical mark on an unrelated product may be prohibited is when the use will dilute a famous mark. This dilution can occur when consumers see the famous mark on non-competing goods, causing a blurring of the unique and distinctive significance of the famous mark to the original owner. The dilution can also occur when consumers see the famous mark in a way that tarnishes the quality of the famous mark such as by use of the mark to identify pornography or to ridicule. The dilution law allows the owner of a famous mark to prevent others from using a mark which is so similar as to dilute the distinctiveness of the famous mark, even where confusion is unlikely.

Not unlike patents, trademark litigation can be very disruptive to your business. So the best defensive strategy to minimizing exposure to trademark infringement is to respect the trademarks of others. If you are a trademark holder, then you should police your trademark for possible infringements.

Any infringements should be taken up with your attorney. Your legal options may include sending out a cease and desist letter to the unauthorized user. Sometimes the uses by two or more persons of the same or substantially similar marks can be settled by co-existence agreements. For example, the parties may decide that they can co-exist because their products are sold through different channels of trade – e.g., one product is sold directly to consumers whereas the other product is sold to retailers.

Example 17 - - For years, the Beatles' Apple Corps and Apple Computer agreed to a co-existence agreement under the Apple mark. Apple Corps would use the mark in the field of musical publishing and Apple Computers would use the mark on computer products. Due to Apple Computer introduction of its IPOD® product which downloads musical tunes, the Beatles' Apple Corps charged Apple Corps with a breach of their co-existence agreement. The Court decided the case in Apple's favor.

If a trademark dispute remains unresolved and the infringement continues, you should follow-up with legal action. To allow infringements to go unanswered is to suffer damage to your mark and risk losing the competitive advantage that your mark provides.

k. Trade Dress

Trade dress is a distinctive packaging or a distinctive design of a product that distinguishes your product from other products in the marketplace. The elements that make up the trade dress may include a color or shape like the soft drink bottle of the Coca-Cola Company. The trade dress protects packaging or design features. If the design features also performs a function which function cannot be duplicated without using the feature then the feature will not be protected by trade dress.

Example 18 - The soft drink bottle of the Coca-Cola Company both functions as a soft drink container and has a distinctive design. The distinctive shape is protected trade dress because the container function can be duplicated without using the distinctive shape.

A trade dress may be also protected under trademark laws if the use of the trade dress by another is likely to cause confusion as to the product origin. In the example of the shape of the soft drink bottle of the Coca-Cola company, the use by another of a similar shaped soft drink bottle is likely to cause consumer confusion as to the source of the product – i.e., the consumer is likely to think that the soft drink bottle of the other company comes from the Coca-Cola company.

l. Company Name

A company name is a name by which a company is identified. The name could be your personal name or an assumed or fictitious name. Before doing business under an assumed or fictitious name (i.e., doing business as) you should register your name. In many states, this registration is done at the local level.

There is a certain tension that exists between trade names and trademarks. Often the name that is chosen to identify a company is the name that the company plans on using as its mark to identify its products. Even if the name that the company decides to use as its trademark is different from the name that the company adopts as its name, there is no guarantee that the name used by the company to identify the company is being used by another company as a trademark.

Practice Tip 26 - - If you incorporate your business, the registration process includes registering your corporate name with the secretary of state in the state of incorporation. The registration process will reveal whether any other business is using a confusingly similar corporate name. However, the process will not reveal whether any third party is using that name as a mark or as the name of an unincorporated business. For that reason, when deciding upon a trade name, you should consider doing a trademark clearance search on the name. This will help reveal whether any other uses are being made of the name that may be confusingly similar to yours or cause confusion in the market place.

m. Domain Names

A domain name is a Web-site address. It is a unique name that identifies the location of your Web-site on the Internet. A business organization or entity can set up a Web Site on the Internet and the domain name allows Internet users to locate that Web Site on the Internet.

In order to use a domain name, it must be registered with a registry. The domain name is registered for a specified duration of time and the registration is renewable.

Practice Tip 27 - - You need to keep track of the renewal period. If the registration is not renewed, it becomes available for others to register for their own use.

Often a company will use its trademark in its domain name. Specifically, the company will form a domain name using the trademark and adding a top level designator such as .com to it to form the complete domain name. The advantage of using your trademark in your domain name is that it will likely increase traffic to your Website since the first domain name that a consumer is likely to associate with your company is a domain name based on your trademark. However, there is no requirement that a domain name be based on a trademark.

This advantage was not lost on pirates who registered popular Internet address with the intent of selling it to its rightful owner. Federal laws against these so called cyber-squatters give trademark and service mark owners the upper hand in a domain name dispute involving someone who obtained a domain name in “bad faith” that is identical or confusingly similar to a trademark or service mark.

n. Unfair Competition

Unfair competition is a tort (i.e., a wrong) that causes injury to a business through unfair business practices. These practices include infringement of trademarks and service marks; use of confusingly similar corporate, business and professional names; use of confusingly similar titles of literary works on other literary property and on commercial goods; the appropriation of distinctive literary and entertainer characterizations; simulation of a container or product configuration and of trade dress and packaging; infringement of the right of publicity; misappropriation of valuable business values; “bait and switch” selling tactics; false representations and false advertising; “palming off” goods by unauthorized substitution of one brand for the brand ordered; theft of trade secrets; filing a groundless lawsuit or administrative challenge as an aggressive competitive weapon; sending cease and desist letters charging patent infringement before a patent has been granted; an unreasonable rejection of goods shipped under contract; physically obstructing entrance to a competitor’s place of business and harassing its customers.

Unfair competition is largely governed by the common law that has evolved in the states. However, state laws like state deceptive practices laws and federal laws, such as those that govern federal trademark and copyright registrations as well as the Federal Trade Commission regulations also govern unfair competition.

5. Trade Secrets

a. What is a Trade Secret

A trademark secret is a form of IP that protects business or technical information that has economic value by being kept secret. The business or technical information

includes ideas, designs, engineering and manufacturing processes, drawings, formulas, and procedures. It also includes business and strategic plans, capital spending plans, pricing data, procurement plans, financial information, employee records, new ideas, trade secrets, inventions, and patent applications. Confidential information may be in the form of hard copy or soft copy or electronic communication such as emails. Confidential information may also be in the form of a physical object such as a prototype of a product or a mold for making a product.

The economic value of a trade secret lies in the secrecy of the information. The secret information may allow you to introduce functionality into your product that others cannot reproduce because they do not know the secret way that you make the product. The secret information may also allow you to make a product more efficiently because of secret efficiencies you have created for your manufacturing process. Once the secret becomes known by others, you may lose the competitive edge you enjoyed while the information was still a trade secret.

b. Creation of a Trade Secret

A trade secret comes into existence the instant the information of economic value is created so long as it is maintained as a secret. It is thus not enough to simply create a trade secret. The owner must take reasonable measures to keep such information a trade secret. For this purpose, a company should develop and implement policies to ensure the secrecy of the information. A good trade secret policy will address the treatment and handling of trade secret areas in three major areas. The first is the treatment and handling of trade secret information by employees. The second is the treatment and handling of trade secret information in connection with outside discussions and agreements. The third is the treatment and handling of trade secret information in connection with engaging in design activities, including reverse engineering.

c. Procedures for Employee Handling of Confidential Information

Table 10 identifies key areas where employee handling procedures are needed and some suggested procedures for these key areas.

Employee Handling of Confidential Information	Some Suggested Procedures
Physical Access	<p>Mainframe computer systems must be installed in an access-controlled area.</p> <p>File servers containing Confidential Information must be installed in a secure area to prevent theft, destruction, or access by unauthorized individuals.</p> <p>Workstations or personal computers must be secured against use by unauthorized individuals. Develop local policies on secure and appropriate workstation use and physical safeguards which should at a minimum:</p> <p>Position workstations to minimize unauthorized viewing of Confidential Information</p> <p>Grant workstation access only to those who need it in order to perform their job function</p> <p>Establish workstation location criteria to eliminate or minimize the possibility of unauthorized access to Confidential Information.</p> <p>Employ physical safeguards as determined by risk analysis, such as locating workstations in controlled areas or installing walls to preclude passerby access to Confidential Information.</p> <p>Use automatic screen savers with passwords to protect unattended machines that are left turned on and unattended</p> <p>Power down unused systems at the end of the day.</p>
Building Security	<p>Designate a person responsible for building security.</p> <p>The offices will not be open to the public. Ensure that access to the offices by visitors is controlled by a receptionist and/or locked doors.</p> <p>Employees will escort visitors at all times. Non-employee visitors must sign in/out at the front desk and wear badges while in the building.</p> <p>Provide for a security alarm system to protect the office after hours.</p>
Confidential Agreements	<p>Put Agreement into place with each employee which gives ownership of trade secrets created by the employee to the employer and obligates the employee to maintain the confidentiality of the trade secrets.</p> <p>Non-Disclosure Agreements should be put into place before there is any disclosure of trade secrets</p> <p>Agreements with third parties should ensure the protection of trade secrets.</p>
Record Keeping	<p>Keep good records of your trade secrets to enable you to prove your trade secrets and own independent development in the event a third party charges you with misappropriation of their trade secrets</p>
Dealing With Third Party Trade Secrets After Termination of a Trade Secret	<p>Return or destroy third party trade secret information received is a typical obligation under a Non-Disclosure Agreement</p>

Obligation	Try to negotiate a provision that allows you to keep one copy with a non-operational representative of your company (e.g., your attorney) in order to demonstrate compliance with the Agreement in the event of a third party challenge
Periodic Audits	Periodic audits of differing sectors of your business help flag any breaches of your policy Forces you to continue to update your policy to keep up with changes in information practices or to correct shortcomings in existing trade secret policies.
Implementation of Policy at All Locations	Make sure the policy is implemented at all locations. All it takes is one disclosure of the trade secret for you to lose the value of your trade secret Customize your policy to the operations at each location as needed
Employee Issues	Put employment agreement into place with provisions on confidentiality as well as non-compete or non-solicitation as appropriate Prohibit removal of confidential information from company premises. Restrict copying of copying information Conduct employee exit interviews

Table 10. Some Key Areas where Employee Handling Procedures are Needed and Some Suggested Procedures for these Key Areas.

d. Outside Discussions and Agreements

When engaging in discussions of trade secrets outside of the company, it is critical that those discussions occur under a non-disclosure agreement. A non-disclosure agreement provides for the disclosure of trade secrets but on the condition that the recipient promises to keep the disclosed information confidential. A disclosure of trade secret to a recipient not bound to secrecy is like making your information public. In either case, the non-confidential disclosure will cause your information to lose its status as a trade secret.

Non-disclosure agreements are widely used agreements that allow for discussions about trade secrets outside the company without the losing the confidentiality of the trade secret information. They allow you to have discussions about your trade secrets in connection with exploring a possible business relationship with another company. They allow these kinds of discussions for exploring and entering into relationships for purposes of outsourcing design, development and testing work, pilot testing, or manufacturing. They allow these kinds of discussions for purposes of striking a business relationship with another company such as signing on a distributor or entering into a joint venture.

While early on in the discussion process, the non-disclosure agreements without more may be enough to govern the discussions. As the discussions proceed beyond discussions though such as actually doing pilot testing work, or entering into a distributorship or joint venture agreement, you will need to put a more comprehensive agreement into place that details the terms and conditions of that business relationship. Often, the new agreement will include a provision on confidentiality that will govern all discussions involving the trade secrets including those that occurred under the non-disclosure agreement. At other times, the confidentiality provision of the new agreement will govern discussions of the trade secret from the date of that agreement going forward and leave the pre-agreement discussions of the trade secrets to continue to be governed by the non-disclosure agreement.

Practice Pointer 28- - Because a non-disclosure agreement typically precedes a business agreement, a good business agreement will memorialize the understanding of the parties with respect to the relationship and effects of the non-disclosure and business agreements on the business relationship. Typically, this is done by incorporating the non-disclosure agreement into the business agreement by reference and indicating either that the non-disclosure agreement is limited to pre-business discussions of the trade secret or will also cover discussions of the trade secret under the business agreement.

Practice Pointer 29 - - The earlier you can come to an understanding on key issues in your business relationship the better. For example, if you are outsourcing R&D work, it may be easier for the parties to come to an agreement that you will own all inventions flowing from that work. However, if you wait until the R&D work has produced the next block-buster drug before addressing the ownership issue, you can bet that the company doing the R&D work will want to stake its claim to that invention.

When drafting confidentiality agreements, it is important to realize that even in the realm of trade secrets there may be differing levels of sensitivity of the information.

Some information like customer lists, pricing data, design drawings may cause the owner great harm and so may be considered to be super sensitive information. Other information, such as company summaries of public information, may be less sensitive.

A good agreement will address the differing levels of conduct with respect to the differing levels of confidentiality of the information. A good policy on agreements will address what agreements are needed and at what point in time in your business relationship you need to put those agreements into place.

e. Reverse Engineering Policies

Reverse engineering is the analysis of a product or process to determine the make-up of a composition, a structure, the functional features of the composition or structure or the processes or methods to make the composition of the composition or product. The product can be a product of manufacture. It can also be a business and strategic plan, capital spending plan, pricing data, procurement plans, financial information, employee records, and new ideas.

Reverse engineering is not an unlawful activity if the product or composition which is being reverse engineered is publicly available. Reverse engineering of a product or composition can quickly run afoul of a non-disclosure agreement though unless care is taken by the entrepreneur to ensure that all obligations under the agreement are satisfied. The following example illustrates various reverse engineering scenarios and the likely acceptability of the practice

Example 19 – Company A provides confidential information to Company B about a product that Company A is selling to the public. Company A provides the information to Company B under a confidentiality agreement. The agreement is silent on the obligations of Company B with respect to reverse engineering activities. In this case, Company B may reverse engineer the publicly sold product provided that it does not use any of the confidential information provided by Company A in the reverse engineering process.

Example 20 – Same as Example 19 except the confidentiality agreement expressly prohibits Company B from engaging in any reverse engineering activities on the product. In this case, Company B is contractually obligated to not reverse engineer the product.

Example 21 – Company A provides confidential information to Company B about a product that Company A still maintains as a secret. Company A provides the information to Company B under a confidentiality agreement. Because the product is still maintained as a secret, the product is not a public product which could be the subject of acceptable reverse engineering activities. Hence, no reverse engineering of the product would be permitted. Even if the agreement does not address reverse engineering, a well drafted obligation of confidentiality in the agreement would prevent Company B from making any use of the confidential agreement for any but for the purposes of the agreement.

When an entrepreneur does design work for several competing customers, the entrepreneur needs to be particularly careful to not only not violate any confidential obligation, but to also not create the appearance of a violation. An appearance of a violation may occur, for instance, when your customer A sees your customer B’s competing product in the market place to include features contained in customer A’s product. The question presented by this situation is the appropriateness of your using information taken from reverse engineering a publicly available product of Customer A in providing design services to Customer B, a competing customer. Table 11 provides some guidelines for dealing with this kind of situation.

Reverse engineering of one or more competitor designs	Possible Solutions
	Reverse engineering of a design may be undertaken by you so long as you are not bound by any contract from reverse engineering the design and so long as no confidential information of a competitor is used in the reverse engineering of the design activity
	When engaging in reverse engineering or design activities, you should take steps to ensure that the Confidential Information of competitors are protected.

	Clean Room Design –When engaging in reverse engineering activities for a customer in connection with a project, two teams of engineers should be used to perform the design work for the customer. A first team of engineers should do the reverse engineering of the one or more competitive products and write the one or more corresponding technology architecture design specifications necessary to offer the customer alternative technology architecture approaches to the design solution. A second team of engineers having no connection to the first team of engineers should write the detailed design specification for the customer based on the technology architecture solution chosen by the customer
	If the reverse engineering activity occurs at the request of the customer, you should secure from the customer written assurances that the customer has the right to have you reverse engineer the competitive product for the customer.
	If in connection with the reverse engineering or any design activity(s), you are or becomes aware of any third party intellectual property that may be relevant to the design or to results or deliverables under the customer contract, you should bring those intellectual properties to the attention of the customer in writing.
	As to any third party intellectual property that you are or becomes aware of that may be relevant to the design or deliverables under the customer contract, you should secure from the customer written assurances that the customer has all rights under all such third party intellectual property necessary for the customer to use and for the customer to have you do the design work called for under the customer contract. If the design is to be owned by the customer, the customer should indemnify the design. If you own the design, be sure you do a patent search to clear the design with respect to third party patents.

Table 11. Some guidelines for Engaging in Reverse Engineering Activities.

Table 12 provides some guidelines for leveraging employees across competing customer product platforms without running afoul of trade secret obligations.

Leveraging Design Teams Across one or more competitor designs	Possible Steps to Performing Such Design Work
	Use a different team of engineers to run the design services for one customer than the team of engineers used to run competing design services for another customer.
	Where the use of different engineering teams to support competing customer design services is not an option, you should segregate those duties of engineers running the design services for one customer from the substantially similar duties of engineers running the design services for competing customers

	<p>If a team of engineers that has completed the performance of design services for one customer is needed to perform substantially similar services for a competing customer, you should preferably allow for a lapse of a period of time before starting the performance of the design services for another customer. The lapse in time creates a barrier to protect the confidential information of customers.</p>
	<p>Make sure you institute good lab book practices. The engineers should record all activities undertaken for each customer on each customer project in a general descriptive manner. These lab books will serve to document the segregation of the duties performed by the engineer for competing customers.</p>
	<p>You should include in your design services contracts a residual clause that will allow engineers to have unrestricted use of information residing in their memory after the completion of the design services.</p>
<p>Customer Clean Room Practices</p>	<p>Create a password protect file for each new Customer Project.</p> <p>Specify no less than three levels of security. The first security level will allow for access to Confidential Information and the second security level will allow for access to Super Sensitive Information. The third level is publicly available information provided by the customer.</p> <p>Ensure that every piece of documented confidential information provided by the customer is stored in separate folder inside the password protected customer program file.</p> <p>Ensure that every confidential document provided by the customer is designated as Confidential Information, Super Sensitive Information or as Unrestricted Information.</p> <p>Control your designers that will have access to the password protected project file.</p> <p>Ensure that every engineer submitted to have access to the password protect file has a nondisclosure agreement in place with your company.</p> <p>Preferably, enable the password protect file to monitor every access that is made to the password protect file and to each folder within that file, the duration of the access, and any other special customer requirements. The software should create a history of these and other indicia that you may use to demonstrate and ensure the appropriate treatment of confidential information or to meet customer requirements.</p> <p>Preferably, enable the password protect file to control such critical tasks as whether the document is allowed to be printed or if allowed to be printed, whether based on the issued passcode the engineer requesting the printing of the document has permission to print a copy of the document. If documents are allowed to be printed, ensure that each page of every printed document bears the confidentiality marking designating the level of confidentiality of the document.</p> <p>Preferably, when printing confidential information of a customer, display in a window prior to execution of the print command, a statement reminding the user that the information to be printed is subject</p>

	<p>to confidentiality and requesting the user to acknowledge and reaffirm his/her obligation to keep confidential the information to be printed. The control software will track and store for compliance purposes each such acknowledgement and reaffirmation.</p> <p>Project Close-Out Document - On completion of the Customer Project, the control software should further display a project close-out document that each engineer is required to complete within a specified period of time. Among other things, the on-line project close-out document serves to remind the engineer of his obligations of confidentiality with respect to the customer Confidential Information. The engineer will be asked to again acknowledge and reaffirm the confidentiality obligations with respect to all customer confidential information.</p> <p>Make sure that managers takes on the responsibility of ensuring that each subordinate has completed the close-out document.</p> <p>When all project close-out documents are received and reviewed and signed off by you, take steps to close down the password protect file of the customer so that it is no longer accessible.</p> <p>If permitted under your customer non-disclosure agreement, make a back-up of the password protect file, including all confidential document folders and the tracking history for those folders. Store that back-up in a secure location for use in auditing your compliance with your confidentiality obligations.</p> <p>Communicate to the customer the steps you have taken to ensure the confidentiality of the customer information so that the customer is assured that no further access or use is or will be made of customer confidential information.</p>
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Table 12. Suggested Steps for Leverage Employees Across Competing Customer Product Platforms Without Running Afoul of Trade Secret Obligations

f. Ownership

Title of a trade secret is evidenced by the documentation of your trade secret. If the trade secret has been assigned, the assignee of the trade secret is the owner of that information. Since many trade secrets are created by employees it is important that the employment agreement gives ownership of the trade secrets created on the job to the employer. The employment agreement should include an obligation of confidentiality which obligates the employee to maintain the confidentiality of the trade secrets.

g. Bundle of Rights

A trade secret gives the owner of the trade secret the right to exclusively use the trade secret.

h. Right to License

Not unlike patents, trade-secrets can give you a competitive advantage. They can create opportunities and revenue streams for your business through: (a) license-out strategies; (b) license-in strategies; (c) business leveraging strategies; (d) capital formation strategies; and (e) litigation defensive strategies.

i. Right to Sue

A trade secret gives the holder the right to exclude others from using the trade secret. The taking and using of the trade secret without the authorization of the holder is deemed to be a misappropriation of the trade secret.

Some states have criminalized the theft of trade secrets. But most actions in trade secrets are brought under state civil laws. In these cases, the common law of the state with respect to misappropriation of a trade secret governs the outcome in those cases. To provide a uniform approach on misappropriation of trade secrets, the common laws have been codified into the Uniform Trade Secrets Act. Many states have adopted the Uniform Trade Secrets Act. In those states that have not adopted the UTSA, the issue is decided based upon the common law in their state

Under the UTSA, a showing of misappropriation of a trade secret requires not only proving the existence of the trade secret (including that the information was not generally known to the public), that the owner took reasonable measures in keeping the information secret, and that the information has economic value. But a showing of misappropriation of a trade secret requires proving “theft” of the trade secret, namely, that the accused acquired or disclosed the trade secret without the authorization of the

owner. In addition, you also need to show that the accused knew or had reason to know that the trade secret was acquired by improper means.

Recoveries for infringement of a trade secret may include damages, profits, reasonable royalties an injunction, and in certain circumstances, attorneys fees.

Proving trade secret infringement can be a daunting task. In the Information Age, people in the same industry often come from the same talent pool and are educated with the same ideas. Many read the same technical journals and are members of the same professional organizations. The overlap in thinking between people in the same industry often makes it difficult to differentiate between misappropriation and independent thinking. As a result, unless an accused is caught in the act of misappropriating, proving infringement can be difficult.

To improve the likelihood of proving misappropriation against a departing employee, a company should have a good employment agreement in place that obligates the employee to confidentiality. In appropriate circumstances, such as for key employees, the employment agreement may include a non-competition agreement which is an agreement not to work for a competitor. Such agreements may be enforceable if the non-compete is reasonably limited in scope of the non-compete, geographical area and duration. In other circumstances, the employment agreement may include a non-solicitation agreement which permits an employee to work for a competitor but not to solicit clients of the former firm.

When an employee leaves a company, an exit interview should be used to reinforce the obligations that the departing employee has undertaken to your company by employment agreement. The ingredients of a successful policy to minimize theft of trade secrets include acting quickly in response to a violation and taking action every time there is a violation.

Practice Tip 30 - - When an employee leaves your company, you should do an inventory of the materials kept by the employee and those remaining with the

employer. The employee should sign an acknowledgement that all copies of confidential documents and information have been returned to the company.

6. Comparison of U.S. and Foreign IP Law

Table 13 provides a general comparison of IP laws in the U.S. and foreign countries.

	Patent		Copyright		Trademark		Trade secret	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Requirements	1 year grace period to file	First to File Absolute Novelty	Artistic Expression in Tangible Medium	Generally, Artistic Expression in Tangible Medium	First to Use	First to File	Information of Economic Value Kept as a Secret	Information of Economic Value Kept as a Secret
Duration of Ownership	Utility, plant -- 20 years from date of filing Design – 14 years from date of issue Plant Certificate 20 years from date of issue	Utility - 20 years from date of filing	Created on or after January 1, 1978 Life plus 70 years Or Shorter of 95 years or 120 years from creation if anonymous work (e.g., work for hire) or under pseudonym		Renewable for 10 year periods			
Filing	In Name of Inventor	In Name of Owner	In Name of Creator	In Name of Creator	In Name of Owner	In Name of Owner	None	None
Select Treaties	European Patent Organization Patent Cooperation Treaty		Berne Convention Universal Copyright Convention on software		Madrid Convention		Uniform Trade Secrets Act Economic Espionage Act	NAFTA GATT
Costs	10:5 Rule \$10,000 to prepare patent + \$5,000 filing and other fees per country		\$30 on up		Under \$1000		Cost for maintaining information a trade secret	
Maintenance	Required at 3-1/2, 7-1/2 and 11-1/2 years	Required generally annually			Affidavit of Use due in 6 th year of 1 st 10 years Then every 10 th year			

Table 13. Comparison of U.S. and Foreign IP Law

6. Conclusion

In the Information Age of the Twenty-First Century, IP no longer needs to be, no it cannot continue to be treated as a black art. The secrets of IP are too many and too important to be left to the sole province of patent attorneys and those few who have been educated in the art. IP is an effective business tool for enhancing market share and penetrating new markets. IP is an effective tool for leveraging sales and creating new revenue streams. IP is an effective tool for enhancing shareholder value and the attractiveness of a business to venture investments, acquisitions and/or other transactions. These and other secrets make IP a key business tool which entrepreneurs cannot ignore in meeting the challenges of the Twenty-First Century. It is the hope of the author that through this paper and the work of others these and other secrets of IP become unlocked for the lay person to learn, use and appreciate.