

**NOT SO PATENTLY OBVIOUS MISTAKES WITH
INTELLECTUAL PROPERTY**

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I. INTRODUCTION

With the advances made in the past twenty or thirty years, particularly in the areas of biomedical research and computing technologies, the importance and value of the intangible intellectual property assets has skyrocketed. Protection of these intangible intellectual property assets has assumed importance previously unknown. Entire industries are supported by the (potential and sometimes inchoate) value of intellectual property assets.

The identification and protection of intellectual property assets is a (nearly) purely commercial exercise. As I've considered the major pitfalls of intellectual property law, they fall into two general categories. The first is the failure to recognize and, hence, protect your client's intellectual property assets, and the second is the failure to comply with certain formalities required in connection with the acquisition or transfer of intellectual property assets. We'll talk about each of these categories of pitfalls and, hopefully, provide background information so that you can be of greater service to your client by helping them to enhance the commercial value of their intellectual property assets.

II. IDENTIFICATION AND PROTECTION OF INTELLECTUAL PROPERTY ASSETS

Not so long ago, the mention of the words "intellectual property" met with blank stares or, in more extreme cases, loud snores. More recently, intellectual property is something that everyone wants. What is it anyway???

A. WHAT IS INTELLECTUAL PROPERTY?

Intellectual property is a broad term that refers to intangible, yet definable and protectable rights in information, designs, creative works, etc. In general parlance, it encompasses the patent rights, trademark rights, copyright interests, trade secrets, know-how, and other information or materials to which economic value attaches. The broad categories of intellectual property are described below.

B. TRADE SECRETS

Most states, including Washington, and the District of Columbia have adopted (with some minor modifications), the Uniform Trade Secrets Act. Under the Uniform Trade Secrets Act, "trade secrets" are defined as:

Information, including a formula, pattern, compilation program, device, method, technique or process, that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from disclosure or use,

and

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Courts consider numerous factors in considering whether particular information constitutes a trade secret. These factors include: (1) the extent to which the information is known outside a party's business, (2) the extent to which the information is known by employees and others involved in a party's business, (3) measures taken by the party to guard the secrecy of the information (4) the value of the information to the party and to its competitors, (5) the money expended by the party in developing the information, and (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

Technical information such as the design and layout of manufacturing equipment, the composition of materials (e.g. Coca-Cola[®]), source code, object code, etc. is protectable as a trade secret. Other types of commercial information such as product development information, business plans, customer lists, vendor lists, marketing materials, etc. are also protectable as trade secrets. Other confidential information that does not satisfy the standards of "trade secret" information may still be protectable, provided it is confidential. The first step in protecting trade secret and confidential information is to specifically identify the elements of the trade secret. The second and critical step in protecting trade secret and confidential information is maintaining the confidentiality of that information.

Employees and customers receiving the information must be informed that the information is considered to a trade secret and must agree to preserve the confidentiality of the information. Both nondisclosure and noncompetition agreements may be used. A nondisclosure agreement may take the form of a stand-alone agreement, or may be a clause in a more comprehensive agreement. It should define the protected trade secret(s) and confidential information as specifically as possible and provide that the parties receiving trade secret or confidential information are obligated not to disclose that information. This obligation must continue after the employment or business relationship is terminated. Unlike a noncompetition provision, a nondisclosure obligation may last indefinitely. In situations where the recipient of trade secret or confidential information is not authorized to make use of the information, the Confidentiality Agreement should expressly prohibit unauthorized uses of the trade secret and confidential information. A sample Confidentiality and Non-Use Agreement is included in the materials. This Agreement may be modified and elaborated on to fit specific circumstances.

The outcome of most trade secret litigation turns on whether proper steps have been taken to maintain the secrecy of the information. Maintaining secrecy requires active and continuing efforts by the owner of the trade secret. With this in mind, the following measures can be implemented to safeguard trade secret information: obtain confidentiality agreements (or employment agreements containing confidentiality provisions) from all employees; obtain confidentiality agreements from third-party consultants, vendors and customers, as appropriate; periodically remind employees and advise new employees of the sensitive and confidential nature of the information; conduct exit interviews and have employees sign documents verifying the return of all confidential information and trade

secrets; mark both internal and external documents and other information “confidential” and use confidentiality legends and warnings; impose plant and office security measures; take technical precautions, such as dividing the system into steps handled by different individuals or departments; secure all computers with a password; restrict access to company facilities or portions of company facilities.

Actionable misappropriation of trade secret or confidential information involves a “knowingly improper” taking of the information. Contacting an attorney knowledgeable in the area of trade secrets law is the best service you can provide if your client believes its trade secret or confidential information has been misappropriated and, sooner is always better than later.

C. COPYRIGHT INTERESTS

The federal copyright law protects “original works of authorship,” that are “fixed in a tangible medium of expression.” The categories of original works to which copyright protection attaches include: (1) literary works; (2) musical works, including any accompanying words; (3) dramatic works, including any accompanying music; (4) pantomimes and choreographic works; (5) pictorial, graphic, and sculptural works; (6) motion pictures and other audiovisual works; (7) sound recordings; and (8) architectural works.

Computer programs are treated as literary works (or “text”) for purposes of copyright registration, although many also have an audio-visual component.

Works created subsequent to January 1, 1978 are governed by the Copyright Revision Act of 1976, Title 17 of the U.S. Code. Works created prior to January 1, 1978, are governed by the Copyright Act of 1909 and transitional provisions of the 1976 Act. Because the current Copyright Act represents a substantial revision of prior copyright law, court decisions that governed pre-1978 copyright interests will not necessarily apply to current works.

The United States joined the Berne Convention in 1988, which resulted in the amendment of several registration requirements. Further significant amendments have been enacted almost yearly since then.

Concepts and ideas are **not** protected by the Copyright Law. Specifically, 17 U.S.C. §102 (b) states:

In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

Concrete manifestations of the concept or idea, nonetheless, are protected.

The exclusive rights granted in copyrighted works include the following: the right to

reproduce; the right to prepare derivative works; the right to distribute copies; the right to perform the work publicly; the right to display the work publicly; and in the case of sound recordings, the right to perform the work publicly by means of a digital audio transmission.

There are some limitations in these rights, with the “fair use” exception permitting limited and generally non-commercial uses of copyrighted materials.

Contrary to widely held misperception, copyright interests, currently require neither registration nor notice to perfect or pressure legal rights. Copyright “notice,” which is intended to give reasonable notice of the claim of copyright, includes each of the following elements: (1) the symbol ©, or the word “copyright,” or the abbreviation “Copr.”; and (2) the year of first publication of the work (which may be omitted in the case of pictorial, graphic, or sculptural work with accompanying text, if any, reproduced in greeting cards, postcards, stationery, jewelry, dolls, toys, or any useful articles); and (3) the name of the copyright owner, or an abbreviation by which the name can be recognized, or a generally-known alternative designation of the owner.

You’ve all seen copyright notices such as the following: ©1983-1996 Microsoft Corporation. Using a copyright notice is highly recommended since it effectively bars defenses of innocent infringement, and since so many people believe unmarked material is in the public domain.

Copyright registration, similarly, is permissive but not mandatory. While Formal Registration is not a condition of copyright protection, it is a prerequisite for bringing a lawsuit for copyright infringement. Prompt registration of a work - within three months following first publication of the work – is necessary to secure certain statutory benefits. Registration of any commercially important valuable work is recommended.

Ownership of copyright interests in the first instance vests in the author(s) of the work. Joint authors are co-owners. A work prepared by an employee during the course of his or her employment is a “work made for hire,” and the employer is considered to be the sole owner of the copyright interest unless there is a written agreement to the contrary. Copyright interests in works created by independent contractors are generally owned by the independent contractor unless there is a written agreement to the contrary.

D. TRADEMARKS

Trademarks and service marks serve as symbols of the origin and quality of goods and services. Trademark protection may attach to words, designs and logos, slogans, product or package configuration, color (in some cases), smell (in some cases), and any other distinctive features of a good or service that serve to identify the origin of the good or service.

Trademark rights are acquired by using the mark on goods or services in commerce, and/or by registration. Use of a trademark in commerce results in “common law rights” that are

enforceable in the geographical area in which the good or service has been distributed. So, if your client is the first to distribute NANNY™ baby wipes in Seattle, your client can prevent its competitor from using the trademark NANNY™ on baby wipes (or diapers, or other similar baby-related goods) in Seattle. But, your client may not be able to prevent a competitor from using the trademark NANNY™ on baby wipes (or other baby-related goods) in Spokane or Portland or California.

Your client's choice of a trademark or service mark is an important commercial decision. Many clients are tempted to choose marks that are somewhat (or highly) descriptive of the goods or services they intend to sell under the marks. Generally speaking, this should be discouraged – vigorously. Descriptive marks may not be registrable at all and, if registrable, they are generally entitled to a limited scope of protection. Arbitrary or fanciful marks, though more difficult to market initially, are generally much stronger marks and are entitled to a considerably broader scope of protection.

An integral part of the trademark selection process is determining, to the greatest extent possible, whether the mark is “available” for use. This is a critical element and should be considered at the very early stages – before your client has invested in or committed to a potential mark.

Because the standard for trademark infringement is a “likelihood of confusion” standard, and because both registered trademarks and common law trademark rights may interfere with your client's use of the selected mark, the trademark availability search and analysis is very tricky and somewhat unreliable. In many cases, preliminary screening searching can be conducted using subscriber databases to “knock out” clear loser marks, and more comprehensive commercial searches can then be directed to the few (or only) remaining candidates. Your client must realize that none of these searching techniques provides any guarantee that a trademark is available, and that there will not be any challenges to your client's use of the mark. There are no guarantees available at any cost in this area.

Please inquire and consider, at a very early stage of the trademark selection process, whether your client is likely to market goods or services using the mark in the U.S. only, or whether there may be international uses of the mark. If your client anticipates use of the mark outside the U.S., the searching involved in the availability analysis can and should be expanded to cover most commercially important geographical areas. Your client will be very disappointed if, after investing a substantial sum to develop marketing materials and packaging, advertising the goods or services in the U.S., and establishing value in the mark in the U.S., it is not able to use the same marketing materials and packaging, and to launch foreign introductions of the product using the same mark.

Because the Internet plays such an important role in today's global economy, another investigation your client may want to undertake in connection with the choice of a trademark is the availability of the corresponding domain name registration. Most commercial searches include this information in a comprehensive trademark availability search.

When your client adopts and starts using a trademark or service mark, it must be used in a trademark or service mark “sense.” This is not always as straightforward determination as it might seem.

Both state and federal systems are available for registering your client’s trademark(s) and service mark(s). State registrations are of little use if a good or service is likely to be marketed outside the state. State registrations are useful in situations where the use of the mark is anticipated to be highly geographically limited, or where registration of the mark in the federal system is unavailable or unlikely.

I highly recommend early federal registration of trademarks and service marks. The process is relatively inexpensive and affords comprehensive protection. Application for federal registration of a mark effectively provides a reservation of national rights in the mark, regardless of the geographical area in which the mark is actually used. U.S. trademark applications may be filed based on a bona fide intent to use a mark, without requiring actual use of a mark in commerce prior to filing. The federal trademark system thus effectively permits reservation of trademarks and service marks for a limited period of time. Applications for registration based on intent to use a mark are processed through the U.S. Patent and Trademark Office system and, if deemed registrable, are published for opposition. A Trademark Registration is not issued until the applicant has provided evidence that the mark has actually been used in commerce. Extensions of time for providing evidence of actual use of a mark are available for up to two years upon payment of fees. Applications may also be based on actual use of a mark in commerce.

When a trademark is federally registered, the symbol ® should be used in connection with the mark. U.S. Trademark Registrations are enforceable for a term of ten years, but they are renewable for additional ten year terms for as long as the trademark continues to be used in commerce. Certain Declarations **must** be filed between the fifth and sixth year following the date of registration to prevent cancellation of the Registration. Although the Trademark Registration endures for a period of ten years, your client’s rights in the registered mark are enforceable only for so long as the mark is actually in use. Relatively brief periods of non-use (on the order of two years) may be excused if the intention to continue using the mark persists.

The remedies available for infringement of a U.S. Trademark Registration include: preliminary and/or permanent injunctive relief; an award of defendant’s profits; damages sustained by the registrant; and the cost of the action. Where trademark infringement is willful, the court has the discretion to treble the actual compensatory damages and award reasonable attorney fees. The court also has the discretion to order destruction of all goods bearing the infringing trademark.

E. PATENTS

A general background discussion of U.S. patent law is attached to these materials as “Patents 101.” A copy of a U.S. Patent is also enclosed. This particular patent was chosen to illustrate the point that nearly anything, including a tortilla chip and methods for making

tortilla chips are patentable, provided they are novel and non-obvious and otherwise satisfy the statutory requirements.

Patents are highly valued commodities. Most scientists and engineers, in my experience, apply a very high standard to inventions they believe may be patentable. The U.S. Patent and Trademark Office does not apply nearly so high a standard. Provided a technique or machine or process or composition is different from similar subject matter in existence, and provided that the new technique or machine or process or composition is useful, patent protection is most likely available.

Bear in mind that patents do **not** grant affirmative rights but, rather, exclusionary rights. It is thus possible to hold a U.S. Patent for technology that requires a license under one or more other U.S. Patents to make or use the patented invention. This is a highly confusing area and the analysis requires specialized expertise.

Creation and preservation of good records of commercially valuable and potentially patentable technology is crucial. When your client discloses that it is developing proprietary and valuable technology that may be patentable, the very first priority is to establish a written record of the invention – both with regard to its scope and with regard to important dates of conception and reduction to practice of the invention. A standard INVENTION DISCLOSURE FORM used for this purpose is included with the materials. The Invention Disclosure Form, or a similar written record of the invention, should be documented as soon as possible after the invention is made. Documentation relating to the invention should be signed and dated by the inventor(s) and at least one witness, and should be preserved with care. Any appropriate supporting documentation, such as lab notebook pages, drawings, etc., and their dates and locations should be referenced in the documentation. And, talk to a competent patent attorney as soon as is possible.

Timing and disclosure requirements for patent-related matters are critical. In general, the best practice is to file a patent application in the U.S. Patent and Trademark Office prior to **any** public disclosure of the invention and prior to any commercial use of the invention. Disclosures made pursuant to a Confidentiality Agreement are not necessarily public. Be careful of “public uses” of an invention, even if they don’t disclose the crux of the invention. Use of an invention by your neighbor for a period of years may preclude the availability of patent protection, even if your neighbor did not appreciate the technical aspects of the invention. Experimental uses of an invention may be permitted under certain circumstances. I highly recommend discussing any potentially patentable invention with a competent patent attorney as early in the discovery process as is possible.

Once a U.S. patent application has been filed, and for the duration of the time the application is pending before the U.S. Patent and Trademark Office, the legend PATENT PENDING may be used in connection with products claimed in the patent application. This often provides a competitive advantage. Patent applications pending before the U.S. Patent and Trademark Office are maintained in secrecy and your competitor cannot access these materials. After a U.S. Patent has issued, notice of the issued patent should be given by marking products or packaging with the U.S. Patent number.

Patents are geographically limited in scope. Generally speaking, a U.S. patent precludes another person from making, using, offering for sale or selling your invention in the U.S. The Patent is a public domain document and anyone is free to use the technology in geographical areas where patent protection has not been secured. The timing requirements for filing foreign patent applications are strict and critical. It is necessary to assess your client's potential international activities within one year following the filing of the U.S. patent application. Be forewarned that filing patent applications outside the U.S. is an extensive and expensive process. Substantial commercial opportunity, or a commercial partner who is underwriting the patent costs in foreign countries, may be a prerequisite for an international patent portfolio.

III. COMPLIANCE WITH CERTAIN FORMALITIES AND WHAT TO DO WHEN SOMETHING GOES WRONG

As a general matter, the use of good, common business sense will carry the day. If your client is accused of an impropriety relating to intellectual property, contact an experienced intellectual property lawyer immediately. In many cases, there are positive steps that can be taken to reduce your client's exposure.

A prerequisite to complying with formalities is identifying your client's intellectual property interests. This frequently arises in the context of acquisitions of companies or technologies, or other types of corporate transactions. Both registered and unregistered intellectual property interests must be identified with specificity and appropriately transferred.

Effective transfer of intellectual property interests can be tricky. A separate Assignment document should be executed for each type of interest, and should identify the patent, registered trademark or copyright interest by number and issue date. Assignments or other transfers of patents, registered trademarks and registered copyright interests should be recorded with the appropriate government agency within a short time following the date of the assignment or other transfer. Appropriate documentation and recordal of interests in patents and trademarks registered outside the U.S. is even trickier. Please consult an attorney experienced with foreign patent and trademark practice. He or she will most likely consult a foreign associate to ascertain the requirements specific for that country. Obtaining appropriate documentation at the time of the transaction is critical, since the conveying entity may no longer exist later when it is discovered that the documentation is insufficient. Changes in the names of entities owning registered intellectual property interests also need to be recorded in the appropriate government agency.

Maintenance fees are required to be paid to maintain U.S. and foreign Patents in force. U.S. and foreign Trademark Registrations likewise require certain filings or payment of fees at various times. These dates can be easily docketed and followed-up, but someone needs to do it.

Security interests may be taken in registered intellectual property interests, including

patents and trademarks, and require formalities similar to those required for assignments. The patents and trademarks must be specified by number, and the security interest should be recorded in the U.S. Patent and Trademark Office (as well as the state). Don't forget to prepare and record releases of security interests as well.

IV. CONCLUSION

Intellectual property practice is highly specialized and complex. Don't expect to provide detailed counsel to your clients unless you have considerable, specialized experience. If you can identify general areas where your client may be able to increase the commercial value of its technology or information by registering intellectual property rights, you will do a service to your client. Please don't hesitate to call upon specialized expertise – early and often.