Intellectual Property Law Considerations for Business Lawyers

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The use of technology in business is pervasive and increasing at exponential rates. The key legal driver behind this technology is intellectual property. Patents, trade secrets, copyrights, and trademarks are the modern legal tools used to achieve business success, and it is this intellectual property that is often the most valuable asset of an enterprise. Recognizing and protecting these assets is of critical importance. As legal counsel to business clients, attorneys must be vigilant to ensure that these intellectual property assets are being developed, protected, and used in compliance with current intellectual property laws.

This article examines at a general level the various forms of intellectual property. It is certainly not the first on the subject to appear in the pages of The Advocate (for example, see previous articles on intellectual property law and considerations by Elizabeth Herbst Schierman). It will serve as a refresher for many legal practitioners with some prior knowledge of the subject, while for others, it will provide new information. In either case, the aim of this article remains the same: to assist business lawyers to be better positioned to recognize, identify, protect, and enforce the valuable intellectual property assets of the client.

Main types of intellectual property

There are four main types of intellectual property: patents, trade secrets, copyrights and trademarks. Each of these areas of intellectual property law is distinct, and understanding the differences among them is essential to properly serve the client.

Utility patents protect the manner in which an invention is used and operates, while design patents protect the ornamental appearance of an object, including its shape, configuration, and ornamentation.

Patents

Patents protect inventions and give the patent owner the right to exclude others from manufacturing or selling products or services that are covered by the patent and its claims. In this respect, a patent operates essentially as a government-sanctioned monopoly for a prescribed period of time. Patents in the United States are granted by the United States Patent and Trademark Office (USPTO) under Title 35 of the United States Code, generally referred to as the U.S. Patent Act. Patents may be issued to inventors who create and file an application for new, useful, novel and non-obvious inventions. This may encompass a process, machine, article of manufacture, composition of matter, or any new or useful improvement to any of the foregoing. The USPTO will not award a patent for inventions that are scientific theories or principles, laws of nature that represent naturally occurring phenomena, or abstract ideas. In order to gain patent protection, the owner of the invention must disclose it in the application to the USPTO, and following issuance of the patent the invention is then disclosed to the public.

Inventions that are granted a patent by the USPTO are generally categorized as being either utility patents or design patents. Utility patents protect the manner in which an invention is used and operates, while design patents protect the ornamental appearance of an object, including its shape, configuration, and ornamentation. The fees required to be paid to file and prosecute a patent application through to issuance can be significant, ranging from approximately $7,000 for the relatively straight-forward to $10,000 or more for the complex. The amount of time it takes for a patent to be issued by the USPTO varies depending on several factors, but may take two years from the filing date of the application. Patents are not guaranteed for all inventions, however, and the USPTO frequently rejects patent applications.

Generally speaking, patent rights last 20 years for utility patents and 14 years for design patents. Once the term of the patent has expired, so too have all legal rights and privileges afforded under that patent. This means that following expiration anyone may manufacture and sell any product or service that previously would have been found to be infringing the patent. A patent is an extremely powerful tool for protecting inventions, one which can be used to stop even the innocent

infringer who is unaware of the existence of the owner's patent.

Trade Secrets

Trade secrets protect confidential commercially valuable information against unauthorized use by third parties. Trade secrets may take many forms, including a process, practice, method, formula, or any other confidential information that has value in the marketplace. A few examples of famous trade secrets include the formula for Coca-Cola®, the recipe for Kentucky Fried Chicken®, and the "secret sauce" for McDonald's® Big Mac®. A less famous trade secret, but still immensely valuable one, is the algorithm behind the Google® search engine.

In order to gain trade secret protection, the information must not be generally known or readily ascertainable, must be protected through the reasonable efforts and steps of the owner to maintain the secrecy and confidentiality of the information, and must provide an economic benefit to the owner of such information. Reasonable efforts and steps a trade secret owner may take to protect these assets include limiting the group of employees who will have access to the trade secret, instituting and maintaining robust internal policies and procedures for keeping trade secrets confidential, securing the trade secret in encrypted form in networks and storage areas with restricted access, and always having non-disclosure or confidentiality agreements in place with employees, business partners, and customers who may have access to the trade secret.

Unlike the other forms of intellectual property discussed in this article, there is no legal mechanism for the registration of a trade secret in order to gain additional legal rights or protections. This approach is logical because trade secrets only retain their value and protection while they are kept secret. Trade secret protection lasts potentially in perpetuity as long as the information is kept confidential. Once a trade secret is no longer secret or confidential, it loses its protection.

Until very recently, and again unlike the other forms of intellectual property discussed in this article, no federal act in the United States specifically governed the protection of trade secrets. Protection of trade secrets was governed by trade secret laws enacted by the various states, with most states choosing to enact some form of the Uniform Trade Secrets Act published by the Uniform Law Commission. However, all of this changed in 2016 with the enactment of the Defend Trade Secrets Act (DTSA), which is codified under Title 18 of the United States Code. The DTSA now provides trade secret owners with a federal framework for the protection of trade secrets, giving much-needed consistency to the application of legal rights and protections for this particular form of intellectual property. One of the significant legal developments ushered in by the DTSA is the ability for trade secret owners to bring in federal court a legal action for misappropriation of a trade secret by a third party. This right, along with several other significant legal mechanisms provided for in the DTSA, has prompted many legal scholars to comment that the DTSA represents one of the most important developments in United States intellectual property law in years.

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Copyrights

Copyrights protect original works of authorship fixed in any tangible medium of expression. Works of authorship legally entitled to copyright protection are literary works, musical works, dramatic works, pantomimes and choreographic works, pictorial, graphic and sculptural works, motion pictures and other audiovisual works, sound recordings, and architectural works. Some examples of the most common forms of copyrighted works include books, movies and software. Copyright protection in the United States is established under Title 17 of the United States Code, generally referred to as the Copyright Act. The Copyright Act gives the author of an original work the exclusive right to copy, reproduce, distribute, perform and display the work, as well as to prepare or create derivative works of the work. Generally speaking, copyright protection subsists in a work from the time of its creation by the author, during the remainder of the author's life, and for an additional 70 years thereafter.

Although copyright in a work may be registered by the author with the United States Copyright Office through a relatively simple process, there is no legal requirement that the author do so in order to gain the rights and protections provided by the Copyright Act. Copyright in an original work automatically springs into existence at the time of the

creation of the work by the author. However, copyright in a work must be registered with the Copyright Office in order for the author of the work to bring a federal legal action for infringement by a third party. Registration also opens the door for the author to potentially collect statutory damages for infringement as provided for under the Copyright Act and attorney's fees if the author is the prevailing party.

Trademarks

A trademark or service mark is a word, logo or phrase that is used to identify the goods or services of the owner of the mark. When a mark is used commercially in association with goods or services, "good will" is said to be established and built in the mark and between the mark owner and its customers. Through use of the mark the owner is endeavoring to establish a connection between the particular goods or services and the owner as being the source of those goods or services. In the United States, federal trademark rights are enshrined under the Lanham Act, as codified under Title 15 of the United States Code, which is generally referred to as the Trademark Act. Under the Trademark Act, a trademark is generally defined as being a word, name, symbol or design, or any combination thereof, which is used in commerce to identify and distinguish the goods of one manufacturer or seller from those of another and to indicate the source of those goods.

It is important to bear in mind that it is only through actual use of a mark that legally enforceable rights are created in the mark. A trademark or service mark standing alone without any use in association with goods or services has no legal status under trademark law. Trademark rights commence immediately upon use, provided there is no pre-existing owner using the same or similar mark for the same or similar goods or services. Legal rights in a trademark or service mark may potentially exist in perpetuity, that is, as long as the owner takes certain steps to protect, maintain and enforce its rights in the mark.

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The Trademark Act protects only those marks that are used by the owner in "interstate commerce." This means that the mark must be used in association with goods or services sold in more than one state. Use of a mark solely within a single state will not qualify for protection under the federal Trademark Act. That being said, each state generally has enacted its own trademark law in one form or another which provides certain rights and protections for marks used within its borders.

Trademarks and service marks do not need to be registered under either the federal trademark system or under any state trademark system in order to accrue some level of trademark protection. Nevertheless, there are significant legal reasons for registering a trademark or service mark. For example, a federally registered trademark grants the owner the rights and privileges under the Trademark Act across the entire United States, while the protection given to unregistered marks is limited to the geographic area where the mark is actually in use. Further, the owner of a federally registered mark may bring in federal court a legal action for infringement of its mark by a third party, and the mark owner may be entitled to the statutory damages under the Trademark Act in connection with that infringement. In terms of trademark symbol usage rights, while the "TM" symbol may be used with unregistered trademarks and the "SM" symbol may be used with unregistered service marks, only those mark owners who have been granted a federal registration for their mark are entitled to use the "®" symbol.

It is important to bear in mind that some marks, even those that have been federally registered, are afforded more legal protection than others, and this determination is based on the distinctiveness of the particular mark. In this sense, trademarks fall along a spectrum of relative strength. The more distinctive a trademark or service mark is, the more protection the law provides. For example, on the strong end of the spectrum are arbitrary or fanciful trademarks like "Apple®" for computers and "Kodak®" for cameras, while descriptive trademarks such as "Sweet" for chocolate or "Hot" for space heaters would fall on the weak end of this spectrum.

Considerations for business lawyers

Given the present and growing

impact of intellectual property in the marketplace today, business lawyers must be able to recognize and properly identify the various forms of intellectual property.

Conducting an internal audit of the various forms of intellectual property assets developed, possessed and used by clients is an important process. For example, if the client has developed certain equipment, tools, processes, methods or other technology that it uses to gain advantage over its competitors, then decisions must be made about the best way to protect these valuable assets while keeping in mind the current needs and desired outcomes of the client. Choosing to file for a patent is certainly one path that may be pursued, but consideration must also be given to trade secret rights, especially given the relative merits of each of these forms of intellectual property protection. A key factor in this determination is how difficult it would be for a competitor to ascertain the nature of the innovation simply by examining the final product or service.

In terms of copyright protection, materials created and used by the client, such as technical manuals, user guides, advertising and marketing materials, software, and content used on client websites, should be examined and inventoried. In many cases, it may be advisable for the client to seek formal copyright registration for these materials depending upon the circumstances. Product and service marks used by the client must be reviewed, and a decision made about whether to rest on unregistered rights or to pursue a federal or state registration for the marks.

Once proper protection has been established for the client's intellectual property, it is important to have systems and procedures in place to ensure that these assets are not being illegally exploited by others. Failure to protect this property through concerted enforcement efforts can devalue these assets or even result in a loss of the relevant legal protections and rights afforded to them. A good tool for protecting intellectual property assets is a well-reasoned intellectual property plan that provides the client with internal mechanisms and processes aimed at addressing the development, protection, and enforcement of intellectual property rights in these assets.

By being familiar with the various forms of intellectual property and enabling clients to recognize the value of these assets, business lawyers are better equipped to assist and advise their clients on the legal protections and rights available to their clients in connection with this increasingly important subject matter. In many cases, this intellectual property may be the most important business asset the client possesses.

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