DELIVERING STRATEGIC SOLUTIONS ACCA'S 2000 ANNUAL MEETING

IP Essentials[1]

Intellectual property may be protected by one or more of the following mechanisms: copyright, patent, trade secret.

A. Copyright[2]

- In the U.S., copyright laws protect "original works of authorship fixed in any tangible medium of expression".[3] (i.e., software programs, design of semiconductor chips).
- Protects expression only, not underlying ideas, procedure, process, system, method of operation, concept principle or discovery.
    - Example: if one creates a new way to perform Internet searches and summarizes the technique in a pamphlet, the words used in the pamphlet are protected, but others are free to describe the identical technique.
- Easy and inexpensive to obtain. Countries that have signed the Berne Convention do not require a copyright notice (copyright (c) 2000 AvantGo Inc.) but it's always a good idea to insert one. It's not necessary to pursue registration of your copyright, but doing so affords certain protections.
- Work for Hire Doctrine
    - Employees: Work prepared by a regular employee within the scope of employment is considered a "work for hire" which is presumed to be owned by the employer.
    - Independent Contractors: ownership varies depending upon the nature of the work involved. To avoid disputes, get a written agreement that the activity is a "work for hire".
- Time Considerations:
    - Most legal protections attach immediately upon creation of the expression.
    - Work for Hire: The earlier of 125 years from creation date or 95 years from date of publication.
    - All other copyrighted material: Copyright protection lasts for life of author plus 70 years.

B. Patent

- Guarantees the patent holder the exclusive right to make, use and sell the invention for the statutory period.[4]
- In order to be patentable, an innovation must be new, useful and non-obvious.
    - Software programs and business methods were recently held to be patentable.
    - The patent owner need not actually use the invention.
- Must file a timely patent application in order to obtain patent.
- Patent protection extends only to the borders of the country in which the patent right has been granted.
- Requires complete disclosure of invention once the patent is issued.
    - In the U.S., the contents of a patent application are confidential. Disclosure occurs upon issuance of the patent.
    - Consider trade secret protection if one will be at a competitive disadvantage by disclosing the details of the invention.
- Patents can be costly to obtain.

- For example, a USPTO application costs from $9K to $20K to prepare and file depending upon the complexity of the innovation and another $5K to $15K to prosecute the patent and see it through final issuance.
- Foreign patent applications can be vary considerably. If the country is one which requires a local translation (e.g. Japan, France, Sweden, etc.) the cost can be substantial.

- Time Considerations:
  - a United States patent application must be filed within one year of the first offer for sale, public use, or publication. Public use or disclosure may prevent on from subsequently filing an application in those parts of Europe where the grant of a patent depends on "absolute novelty."
  - From the start of the application preparation process begins to the time a patent is issued can take up to 3 years in the U.S. in light of the high volume of patents that are currently being processed through the USPTO.

C. Trade Secret

- No uniform definition of trade secrets globally.[5] Even in the U.S., variations exist from state to state.
- Many states follow the Uniform Trade Secrets Act. Defines trade secret as any formula, pattern, device, compilation, method, technique, or process that (1) derives independent economic value from not being generally known and (2) which the owner has taken reasonable measures to protect the relative secrecy of the information. Some states have modified or expanded this definition.
- Typically includes things like:
  - marketing & advertising plans, strategic plans and financial statements;
  - marketing techniques
  - business methods;
  - pricing methods;
  - customer lists;
  - computer programs and data bases;
  - negative information;
  - manufacturing, technological, and scientific processes;
  - personnel and employment records;
  - employee, training or other company manuals;
  - key personnel
  - compensation plans
  - capabilities of suppliers;
  - sales data;
  - product, manufacturing and testing specifications.
- Simple test: Would I care if this were disclosed to my main competitor?
- Relative Secrecy: Although each case must be decided on its specifics, the standard of care generally will be satisfied by
  - Advising employees of the existence of the trade secret and limit access on a "need to know basis;"
  - Using some form of physical security program to limit access to the trade secret (i.e., locked filing cabinet; mark documents as confidential; restrictions on visitors to areas where the secret is being practiced);
  - Employing non-disclosure agreements whenever the trade secrets are to be disclosed to third parties for legitimate business purposes; and
  - Evaluating the sufficiency of the measures taken with reference to the type of information and its economic value to the owner.
- Advantages of trade secret law over patent law:
  - less expensive
  - Broader protections: allows protection of ideas and processes

- No need to disclose the world
- protections are indefinite in duration (assuming relative secrecy is maintained)

Creation of the Invention

- Obtain a full description of the innovation from technical team.
- Key areas of inquiry for determining IP ownership rights:
  - How did we get the innovation?
  - From who did we get the innovation?
  - How did he/she get it?
  - Does the person who is offering the innovation have the right to give it to us?
- Ensure Ownership of Necessary IP rights - Where did the innovation come from?
  - 3rd party IP (i.e. is this confidential information of prior employer)?
- Ensure that the person has the right to give us the innovation.
- To what extent can you rely upon the party's written representations that they own all rights.
- Conduct due diligence.
- Relying upon an indemnification provision requires: (1) a costly lawsuit to get a judgment and (2) assets to collect.
- Need to get written assignment of all IP rights.
- If 3rd party retains joint ownership rights or a license to use the IP:
- might they develop a competing product? (insert anti-compete provision)
- might they sell/transfer their rights to a competitor? (prohibit their right to transfer or assign the IP)
  - Internally developed?
- Need to get assignment of IP rights owned by the employees involved in developing the innovation
- usually in the employment agreement
- if not, need an IP assignment agreement transferring all rights to the company
- Any portion of the innovation predicated upon confidential or proprietary information disclosed by a 3rd party? Is the innovation intended to emulate a 3rd party's innovation? If so, consider potential for an IP misappropriation claim. If there is threat of such a claim, and the company must use the technology:
- Consider approaching the 3rd party for a license to use the technology, or,
- Consider a "clean room" development with a team that has not been contaminated by details of the 3rd party related innovation.
  - Identify separate development team and specification team
  - Specification: general functional description only.
  - Development Team must not have had access to the 3rd party innovation and they must not be exposed to such innovation during development.
  - Team signs affidavit regarding the foregoing
  - Room where work is done should be isolated from other teams
  - Development Team does not communicate with Specification Team
- Develop a written record of innovation creation history
  - Establishes proof of internal development in the event of an IP misappropriation claim.
  - Engineering Logbook
- Bound notebook (not electronic)
- Serially numbered pages
- Marked "CONFIDENTIAL" and kept in a confidential location.
- All entries made in ink, not pencil.
- Don't leave blank pages between entries.
- Information to record
  - All details of the concept
  - Activity related to further development of that concept

    - Testing of the concept
    - Reduction to practice of the concept
- Date each entry
- Ideally, have two witnesses periodically sign and date each page

Notes

1. This overview does not address international rules.
2. For countries that have signed the Berne Convention, copyright treatment is substantially similar to the information presented in this document.
3. 17 U.S.C.A 102
4. 35 U.S.C.A.
5. Trade secret protection is not recognized in many countries and no international treaty or convention exists with respect to the subject matter. Even when some form of protection is available, local law may limit the duration of any obligation that the trade secret owner may impose upon another to maintain the secrecy of the confidential information.