



**Monday, October 19**  
**11:00 am–12:30 pm**

## **1002 The ABCs of Corporate IP**

**Lauren Bruzzone**

*Senior Group IP Counsel*

IBM

**Melissa Cha**

*Associate General Counsel, Sales & Marketing*

Palm, Inc.

**Feras Mousilli**

*Corporate Counsel*

Dell Inc.

## Faculty Biographies

### **Lauren Bruzzone**

Lauren Bruzzone is senior group IP counsel for the IBM Global Services Divisions, Global Business Services and Global Technology Services, in Somers, NY. Her responsibilities include managing a department that provides IP support services for transactions. In addition to assisting in negotiations, her group identifies inventions and files patents, supports patent licensing efforts, provides legal counsel on asset management, and performs trademark clearance and enforcement.

Prior to taking her current position, Ms. Bruzzone held a variety of management and executive positions at IBM in marketing, the IBM Global Network, the intellectual property and licensing department, the trademark department, T.J. Watson Research Laboratory, and the sales & distribution division.

She is co-chair and board member of her local ACC chapter, WESFACCA, conducted a seminar at NY law school, and does pro bono work through Pro Bono Associates.

Ms. Bruzzone received a PhD and MBA from New York University and a JD, summa cum laude, from Pace University School of Law.

### **Melissa Cha**

**Associate General Counsel, Sales & Marketing  
Palm, Inc.**

### **Feras Mousilli**

Feras Mousilli is corporate counsel for the Americas Division at Dell, Inc. where he counsels clients on intellectual property matters, including advertising and marketing, copyright, and trademark strategies and risks. Mr. Mousilli is a registered US patent attorney and regularly advises business clients on a range of technology law issues.

Prior to joining Dell, Mr. Mousilli practiced with DLA Piper's intellectual property group in Austin, Texas, specializing in patent litigation.

Mr. Mousilli has served on the board of ACC's Austin chapter for a number of years, and currently serves as the vice president of membership. He is the proud recipient of the Judge Suzanne Covington Pro Bono Award from Volunteer Legal Services and serves on local boards of national civil rights organizations.

Mr. Mousilli received his bachelors and masters degrees from Johns Hopkins University. He earned his JD from the University of Texas School of Law.

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Concept Implementation Naming Prototype Announce Sale

## The ABC's of Corporate IP

### Real World Solutions for Your IP Problems

October 19, 2009

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### Overview

- You are General Counsel of consumer electronics manufacturer, Widgetronix.
- Widgetronix is developing a killer new product in the smart-phone space.
- You're responsible for guiding Widgetronix's product launch - from concept through development, marketing and sale.

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### The Invention

#### Scenario

Widgetronix's lead engineer, Susan Boyle, has just made a huge breakthrough- she's invented a chip that automatically dials a phone number thought of by the smart-phone's user.

This innovation will require a modification to the existing SIM card.

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↑  
The Invention

Issues

- How do you establish ownership of the new asset(s)?
- How do you select the appropriate means of protection?
- What action do you take to secure the means of protection?

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The Invention

Legal Analysis

- Establish clear ownership
  - Employee agreements; work for hire; shop rights
- Select between patent and trade secret protection
- Prepare to file for a patent

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Confidential Information Leak

Scenario

The VP of R&D alerts you to the latest entry on a tech blog with your product roadmap and strategy documents for the smart-phones release next year.

Widgetronix has closely guarded this information and its leak into the wrong hands could compromise your launch.

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### Confidential Information Leak

Issues

- Is Widgetronix's leaked information protected?
- Who's responsible? Who do you pursue for resolution?
- What options are available to you?
- What can you do to prevent this in the future?

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### Confidential Information Leak

Legal Analysis

- Confidential information versus trade secrets
- Advantages & disadvantages of trade secrets
- Protection of trade secrets
- Remedies for a trade secret violation
- Controls that can be implemented

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### Software Developed by the Company

Scenario

One of Widgetronix's VPs is excited about developing a highly interactive Facebook application (software) that he wants to release at the same time as the new smart-phone.

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Software Developed by the Company

Issues

- How do you establishing ownership of the code?
- What types of code are included in the software?
- What is the best method of protection?
- Are there copyright & export regulation considerations?

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Software Developed by the Company

Legal Analysis

- Ownership based on the origin of the code:
  - Your client's employees
  - Vendors or consultants
  - Third parties
  - Open source
- Protection through the license
- Export regulations & copyright infringement

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Product Name

Scenario

The VP of Marketing has narrowed the name of the new product down to two options- he's convinced he wants to go with either "Glock" or "Jedi" for the smart-phone.

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↑  
Product Name

Issues

- Can Widgetronix use either name for its smart-phone?
- What is the best type of trademark for this product?
- How do you protect the trademark?

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↑  
Product Name

Legal Analysis

- Types of trademarks
- Protecting trademarks
- Importance of proper use
- Overlooking non-major names to market a product's features

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Beta Test

Scenario

The Director of Quality Assurance has arranged to beta test the smart-phone with a Fortune 1000 customer that wants its sales force to call in all their holiday season orders using the new phone.

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↑  
Beta Test

Issues

- How do you protect your intellectual property?
- How do you protect both companies?
- How do you manage the test and feedback?

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Beta Test

Legal Analysis

- Control the business risk to your customer
- Control every element of the test
- Consider a confidentiality agreement
- Control the results, feedback and testimonials

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Advertising Campaign

Scenario

The Advertising Department is putting the final touches on a highly creative TV commercial that is notably better than anything they've ever done.

When you compliment their efforts they tell you:  
"Yeah, we totally got the idea from this sweet video we found on YouTube."

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Advertising Campaign

Issues

- Can you use someone else's idea?
- Isn't YouTube material in the public domain?
- When is it copyright infringement?

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Advertising Campaign

Legal Analysis

- Qualifying for copyright protection
- Registration
- Duration of copyright protection
- Fair use & the public domain
- Infringement examination

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Employee Leaves for Competitor

Scenario

Susan Boyle, the engineer who played a critical role in the development of the smart-phone, announces her intention to leave the company to join a competitor. Due to an oversight, she never had an employment agreement in place with Widgetronix.

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Employee Leaves for Competitor

Issues

- Who owns the IP associated with the smart-phone?
- Can Susan Boyle work for a competitor?
- How can Widgetronix protect its trade secrets?
- How can the new employer protect itself?

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Employee Leaves for Competitor

Legal Analysis

- Work for hire agreements
- Non-compete agreements
- Protecting trade secrets

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Technical Conference

Scenario

Simon, Susan's co-inventor, tells you that he is submitting a paper on their thought dialing invention to a technical conference. He would like your approval.

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Concept → Implementation → Naming → Prototype → Announce → **Sale** ↑

Technical Conference

Issues

- What inventions are described in the paper?
- How does this affect the inventions protection?
- Who owns the paper itself and why is this a concern?

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Technical Conference

Legal Analysis

- Protection of inventions:
  - The effect of disclosure on a patent filing
  - The effect of disclosure on trade secret protection
- Authorship of the paper
- Disclaiming the copyright

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# **The ABC's of Corporate IP**

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## **Real World Solutions for Your IP Problems**

**Feras Mousilli, Lauren Bruzzone, Kathryn Mlsna**

**October 19, 2009**

**Association of Corporate Counsel Annual Meeting**

## Detailed Presentation Outline

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## Overview

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Welcome to the ABC's of Corporate IP – Real World Solutions for Your IP Problems, an interactive role-playing session that casts you as General Counsel to a consumer electronics manufacturer, Widgetronix. Your corporation is developing a killer new product in the smart-phone space. Your responsibility as General Counsel is to guide Widgetronix through the legal IP challenges of taking the product from concept through development, marketing and, ultimately, sale.

This session will step you through a number of business scenarios where you will be expected to provide the necessary counsel for a successful product launch. A series of vignettes will require issue spotting, legal analysis, risk assessment, and an ultimate recommendation on your part. Any potential missteps could compromise the launch, and the financial viability of Widgetronix. God speed!

## Timeline

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You will be following the development and launch of Widgetronix's latest smart-phone through the following stages:

Concept → Implementation → Naming → Prototype → Announce → Sale

## Additional Instructions

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This *Detailed Presentation Outline* is to be used in conjunction with the accompanying presentation slide deck and panel discussion. This Outline is not meant to follow the presentation verbatim. Please use this Outline as a place to take any additional notes you might have and as a take home reference.

This is an interactive session, which means you are expected to actively participate to ensure you gain the most from this role-playing.

Thank you for attending and engaging in our session.

## Stage 1: Concept

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### The Invention

#### Scenario

Your client, Widgetronix, manufactures cell phones. His lead engineer has invented a way to have the phone automatically dial any number thought of by the user. Implementation of this innovation will require a modification to the existing SIM card.

#### Issues Presented

- How do you establish ownership of the new asset(s)?
- How do you select appropriate means of protection and take appropriate action?
- How do you ensure the new asset does not infringe other parties' IP?

#### Legal Analysis

1. Establishing clear ownership
2. Protecting the idea/invention: selecting between patent and trade secret protection
3. Preparing to file for a patent
4. After filing

#### 1. Establishing clear ownership: the company versus the inventor

- Under patent, copyright and trade secrets law, the person who invents/creates the asset owns the asset unless there is some intervening factor
- Preferred approach: employee agreement under which employee assigns/grants all rights to inventions, materials and other intellectual property to employer
  - generally restricted to inventions in the business of corporation or when created in course of employment
  - generally not restricted by "during work hours"

Sample term: I hereby assign to X corporation my entire right, title, and interest in any idea, concept, technique, invention, design, computer programs and related documentation, other works of authorship, and the like (all hereinafter called "Developments"), hereafter made, conceived, written, or otherwise created solely or jointly by me, whether or not such Developments are patentable, subject to copyright protection or susceptible to any other form of protection which: (a) relate to the actual or anticipated business or research or development of X corporation or (b) are suggested by or result from any task assigned to me or work performed by me for or on behalf of X corporation. .

- Alternative theories in the absence of a contract: work for hire and/or shop rights
  - If you can establish a "work for hire," the hiring person generally owns the created object (Note: this is a copyright concept)
  - Shop rights are an implied royalty-free license to an idea (or patent) generally based on an implied contract theory if the inventor was an employee hired to make the invention
    - <http://www.law.washington.edu/casrip/symposium/Number5/pub5atcl15.pdf>
- Conclusion: Why hassle? Get a contract in place.

Note: Under copyright, Work for Hire is defined as; (1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. (17 U.S.C. sec 101)

If a work is created by an independent contractor or freelancer (that is, someone who is not an employee), it is a work for hire if, : i) the work is specially ordered or commissioned; ii) the work comes within one of the nine categories of works listed in the definition above; and iii) there is a written agreement between the parties specifying that the work is a work made for hire.

The United States Supreme Court interpreted the Copyright Act's "work for hire" provisions in 1989 in Community for Creative Non-Violence ("CCNV") v. Reid, where a significant issue was whether the creator was an employee or not.

In general, a contract stating both the work is a work for hire AND that the materials created are assigned to the person paying for the work is the safest route.

## 2. Selecting between patent and trade secret protection

- Patents
  - protect against independent invention by others
  - provides 20 years of protection from time of filing
  - rights come into existence only by operation of government i.e. government grant hence requires formal application to U.S. Patent and Trademark Office
    - submitted by inventor or one admitted to patent bar
    - must include "detailed" description (specification) and claims
  - costs money to prepare, submit, prosecute, issue and maintain
  - can be used to establish exclusivity and/or
  - can be licensed for additional revenue
- Trade secrets
  - See discussion under *Confidential Information Leak*
  - do not protect against independent invention by others
  - require "confidential treatment,"
    - Generally, limited physical access or other controls, legends on documents, etc.
  - unlimited duration of protection
  - once the trade secret is misappropriated, options to recover are limited
  - can be licensed but required the other party to commit to the same level of confidential treatment
- Rule of Thumb: if the invention is contained in an item sold to the public, the easier it is to identify, the more you should opt for patent protection



### 3. Preparing to file for a patent

- Requirements for patenting : the invention must be
  - novel, un-obvious and “useful”
  - software can be patented
  - business methods (re Supreme Court determination in Bilsky)

Filing for a patent: (Assuming you are using outside counsel)

- Required information:
  - names of all the inventors
    - Note: an inventor is someone who conceived, or participated in conceiving, the inventive idea.
    - joint inventors need not contribute equally
    - NOT an inventor: someone who merely implemented the invention, explained well-known concepts, or contributed only insignificant features.
    - NOT an inventor: YOU
- A short statement of the invention
  - What problem is being solved
  - How was the problem solved before, how is this invention “better”
- A description in as much detail as possible of the invention and its implementation
  - Drawings are encouraged
  - Best mode is required
  - Detail must be sufficient so that the invention could be implemented by one skilled in the art
- Preliminary search
  - google or, for adventurous, uspto.gov
  - ask the inventors for information on pre-existing solutions (“prior art”)
- Disclosure: check whether your inventors have discussed the idea outside of the corporation
  - “disclosure” starts a one year clock running for US filing
  - prevents filing in Europe and Japan
- Country Coverage: WHERE do you want to file your patents (what countries)
  - where will you be manufacturing and/or selling the product
  - what are likely countries where competitors might manufacture or sell the product
- Dialogue: Work with your patent preparer
- Focus on the “claims”
  - for protection, they should “cover” your new idea
  - for defense, they should not cover anything else
  - the claims as written may influence the list of inventorship

### 4. After the application is filed, what you should expect

- Publication: at 18 months unless your request otherwise
- Rejection (which requires answers or changes to your application “amendments”)
- Allowance (which requires payment of the issue fee)
- Maintenance fees

## Stage 2: Implementation

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### Information Leak

#### Scenario

The product is in its final stages of development and production, the VP of Product Development alerts you to the latest entry plastered on Engadget.com. Posted are Widgetronix's confidential product-development and strategy documents which discuss your super-secret, next-generation product design slated for release next year. The company has closely guarded this information. Its dissemination into the wrong hands could compromise the product launch.

#### Issues Presented

- Is Widgetronix's leaked information protected?
- Who's responsible? Who do you pursue for resolution?
- What options are available to you?
- What can you do to prevent this in the future?

#### Legal Analysis

1. Confidential information versus trade secrets
2. Advantages & disadvantages of trade secrets
3. Protection of trade secrets
4. Remedies for a trade secret violation
5. Controls that can be implemented

#### 1. Confidential information versus trade secrets

- Confidential information vs trade secret
- A trade secret is "any formulation, pattern, device, or compilation of information that is used in one's business and presents an opportunity to obtain an advantage over competitors who do not know or use it." RESTATEMENT OF TORTS §757; Computer Associates Int'l, Inc. v. Altai, Inc., 918 S.W.2d 453, 455 (Tex. 1996).

#### 2. Advantages & disadvantages of trade secrets

- A company can protect its confidential information through non-compete and non-disclosure contracts with its employees
  - Trade secrets do not expire – unlike a patent
  - Unlike a patent, a trade secret cannot protect against a third party from independently duplicating and using the secret information once it is discovered. This means there is no minimum guaranteed period of years of protection.
  - Coca-Cola, the most famous trade secret example, has no patent for its formula and has protected it for much longer than the twenty years of protection that a patent would have provided.
- Patents or Trade Secrets?
  - Trade secrets are essentially of two types. Some trade secrets concern inventions or manufacturing processes that do not meet the patentability criteria and therefore can only be protected as trade secrets. This would be the case of customer lists or manufacturing

- processes that are not sufficiently inventive to be granted a patent (though they may qualify for protection as a utility model).
- On the other hand, trade secrets may concern inventions that would fulfill the patentability criteria and could therefore be protected by patents.
  - The business then has a choice to either patent the invention or to keep it as a trade secret.
  - Some advantages of trade secrets include:
    - Trade secret protection has the advantage of not being limited in time (patents last in general for up to 20 years). It may therefore continue indefinitely as long as the secret is not revealed to the public.
    - Trade secrets involve no registration costs (though there may be high costs related to keeping the information confidential).
    - Trade secrets have immediate effect.
    - Trade secret protection does not require compliance with formalities such as disclosure of the information to a Government authority.
  - Some disadvantages of protecting as a trade secret over a patent:
    - If the secret is embodied in an innovative product, others may be able to inspect it, and reverse engineer it and discover the secret and be thereafter entitled to use it. Trade secret protection of an invention in fact does not provide the exclusive right to exclude third parties from making commercial use of it.
    - Once the secret is made public, anyone may have access to it and use it at will.
    - A trade secret is more difficult to enforce than a patent. The level of protection granted to trade secrets varies significantly from country to country, but is generally considered weak, particularly when compared with the protection granted by a patent.
    - A trade secret may be patented by someone else who developed the relevant information by legitimate means. This is more relevant in a first-to-file jurisdiction.

### 3. Protection of trade secrets

- Companies often try to discover another's trade secrets through
  - Lawful methods of reverse engineering and
  - Potentially unlawful methods including industrial espionage on the other.
    - Acts of industrial espionage are generally illegal in their own right under the relevant governing laws.
    - If a trade secret is acquired by improper means (a somewhat wider concept than "illegal means" but inclusive of such means), the secret is generally deemed to have been *misappropriated*.
    - Thus if a trade secret has been acquired via industrial espionage, its acquirer will probably be subject to legal liability for acquiring it improperly.
- Trade secrets must be afforded confidential treatment to qualify for legal protection
  - This may include, but is not limited to
    - limited physical access
    - limited electronic access to employees with a business related need to know
    - proper markings and designations on documents
    - developing and communicating a trade secret policy
    - ensure third party communications are under confidentiality agreements

### 4. Remedies for a trade secret violation

- Unlike trademarks and patents, which are protected under Federal statutes, the Lanham Act and Patent Act, respectively, trade secrets arise out of state laws.
  - Majority of U.S. jurisdictions have adopted some version of the Uniform Trade Secrets Act (UTSA), which sets forth remedies available for violations of the Act.
  - Damages available for a trade secret misappropriation claim include monetary damages and injunctive relief. UTSA § (2) and (3)(1985).
- What legal remedies do I have against Engadget.com?
  - Cease & Desist
  - Copyright infringement suit
  - Trade Secret misappropriation suit
- What must I prove to win a suit?
  - Elements of a cause of action for trade-secret misappropriation
    - a trade secret existed;
    - the trade secret was acquired through breach of a confidential relationship or discovered by improper means;
    - the defendant used the trade secret without authorization from the plaintiff; and
    - the plaintiff suffered damages.
    - Spectrum Creations LP v. Carolyn Kinder Internat'l, 2008 WL 416264 (W.D. Tex. 2008)

#### **5. Controls that can be implemented**

- Proper Marking of Documents: "Confidential," "For Use under NDA Only," "Internal Use Only"
- Limit access to those who need to know
- Technology Solutions
  - Access restrictions
  - "Watermarking"
  - Other Digital Rights Management techniques

## Stage 2: Implementation

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### Software Developed by Widgetronix

#### Scenario

One of Widgetronix's VPs is excited about developing a highly interactive Facebook application (software) that he wants to release at the same time as the new smart-phone.

#### Issues Presented

- Establishing your ownership of the code
- Protecting the Asset

#### Legal Analysis:

1. Ownership: Where did the code originate from (employees, third parties, the internet)?
2. Protection: patents, copyrights or trade secrets?
3. The License
4. Export Restrictions
5. Avoiding Infringement

#### 1. Ownership Analysis: Based on the Origin of the code

- Code created by your client's employees: does your client own the code?
  - Same analysis as for "the invention"
- Code created by vendors or consultants: does your agreement provide that you either
  - Own the code OR
  - Can copy, distribute AND create derivative works
- Code obtained under a third party's license: does the license permit you to copy, distribute and create derivative works
- Open source code downloaded from the web: what are the obligations under the open source license

#### Note: Open Source Code:

- a term used to refer generally to software made freely available on the web
- distinguish from: dedicated to the public
- open source code is available under a variety of licenses
- (ex. Mozilla, Apache, BGE, GPL, LGPL)
- the license may be without charge but it is NOT with restrictions  
commonly: any distribution must be licensed under the same license
- API's - "A programming interface" :
  - directions on how to make your code work with someone else's code
  - even if available on websites will generally have a license
  - sometimes are available only from other party, under confidentiality with use restrictions

## 2. Protection: the alternatives

- Patent
- Trade Secret:
  - Basic concern: Code by definition is designed to be distributed (although generally in an unreadable form)
  - Firmware (encoded on a chip) is difficult/impossible to reverse engineer
  - Software (downloaded onto the chip) can be reverse engineered -
    - Typically, owners use license terms (i.e. no reverse engineering) to set up “confidentiality” of the code
    - There are legally provided exceptions
- Copyright
  - Almost always used to protect software
  - Protects expression, not the idea
  - Extremely long term: 95 years from publication (or 120 from conception)
  - Vests when work is embodied in tangible media (i.e. no action required)
  - Recognized by all Bern convention countries
  - Copyright legends are not required to establish copyright BUT they are a useful warning sign

## 3. The License

- Terms for the code you created or had created for you (e.g. own)
  - software is licensed not sold to users since the code owner generally wants to limit the user's rights to less than would be obtained under copyright
  - common terms included in the license:
    - states “licensed not sold”
    - explicitly states those activities permitted (generally: use, make back-up copies, etc.)
    - restricts the licensee from certain activities (copying other than back-up, distributing, creating derivative works, reverse engineering, transferring to others, running on other than specified machine, licensing or sublicensing to others, etc. )
    - provides or disclaims warranties
    - provides or disclaims indemnification
- Terms for other parties code which you are distributing
  - Open source code comes with a license that generally provides the code can only be distributed to others under that same license
  - Third party (Vendor) code is licensed to you for distribution generally under the understanding that the Third Party code will be distributed under a license that generally flows from the third party to the user

Note: Make sure you know what code is included in your application

### Practice Note: make it easier -- Get Organized and get procedures in place BEFORE the employees start writing the code :

- track the types of code included in the application  
AND/OR
- have the development team fill out a Certificate of Originality for each program identifying: who wrote it, what was included, under what terms were they licensed  
AND/OR
- do a code scan afterwards and hope you catch everything

#### 4. Export Regulations

- Commercial export licenses may be required depending on what you are exporting and where you are importing it to (In the U.S., this is determined by the “export control classification number” and commerce control list)
- Where you are exporting to:
  - Embargoed countries: Cuba, Iran, North Korea, Sudan and Syria
- What you are exporting:
  - In the U.S., the primary concern for most commercial software is encryption.
    - Weak encryption (less than or equal to 64 bits) is generally not a problem
  - The U.S. also restricts certain non-commercial software (ex. related to weapons or nuclear energy)
  - Other countries may have more restrictive treatment

#### References:

- Generally: [www.bis.doc.gov/licensing/exportingbasics.htm](http://www.bis.doc.gov/licensing/exportingbasics.htm)
- Key regulatory areas: certain types of encryption and high performance computers
  - <http://www.bis.doc.gov/policiesandregulations/index.htm>
- Regional considerations
  - <http://www.bis.doc.gov/policiesandregulations/regionalconsiderations.htm>

#### 5. Avoiding Infringement of Other Parties' IP:

- Determine and obtain the necessary licenses
- Certificate of Originality: due diligence on what the technical people included and proof of origin in the event of a later claim of copyright infringement
- While there is no obligation to do a patent clearance, you are obliged to take appropriate action if you are aware of a patent that may present a problem

## Stage 3: Naming

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### Product Name Selection

#### Scenario

The VP of Marketing has narrowed the name of the new product down to two options- he's convinced he wants to go with either "Glock" or "Jedi" for the smart-phone.

#### Issues Presented

- Can Widgetronix use either name for its smart-phone?
- What is the best type of trademark for this product?
- How do we protect the trademark?

#### Legal Analysis

1. Trademarks: definition, types
2. Protecting trademarks
3. Importance of proper use
4. Overlooking non-major names to market a product's features
5. Trademarks for the names of the features (hard shell, GUI, rapid battery charge)

#### 1. Trademarks

- Definition: a trademark is a word, name, symbol, design, color or sound that identifies a source of goods or services and distinguishes it from others' goods or services. It is to be distinguished from a:
  - Copyright – protection regarding the expression of ideas in creative works including books, computer programs, advertising, art, music, and movies. The idea of the work is not protected.
  - Patent – protection regarding new and useful inventions ranging from technology to business methods.
  - Trade Secrets – protection regarding information that is valuable to an organization, which is not known publicly and for which steps can be taken to protect it.
  - Right of Publicity – protection from the unauthorized commercial use of an individual's name, likeness and recognizable persona. No current federal protection, limited state protection.
- Types of Marks:
  - Trademark – see above
  - Service Mark – identifies and distinguishes a service from others' services.
  - Trade Dress – the totality of packaging for a product or service.
- Strength of Trademarks: (weakest to strongest)
  - Generic: describes a category of goods
  - Descriptive: describes the goods or service with which it is associated
  - Suggestive: suggests a characteristic of the good or service
  - Fanciful or Arbitrary: has no meaning per se and no logical connection to the goods or services



## 2. Protecting Trademarks

Registration Process: If used in U.S. interstate commerce, may be registered with the U.S. PTO

- “Knock-Out” search to make preliminary determination as to whether the proposed mark is available for use (e.g., Google; USPTO.gov)
- Full Professional Search of numerous databases to determine availability for use
- Application with fee filed with USPTO
- Affidavit of Use: “Section 8” Affidavit” must be filed between the 5<sup>th</sup> and 6<sup>th</sup> year after registration, and within the year before the end of every 10-year period after registration, or within a 6-month grace period after the end of the 6<sup>th</sup> or 10<sup>th</sup> year, with fee.
- Renewal: “Section 9 Renewal Application” must be filed within the year before the expiration date of the registration, or within 6-month grace period after the expiration date, with fee
- Abandonment: Trademarks not used may risk abandonment. Abandonment is presumed after 3 years of non use.

Note: Trademarks can be registered with “foreign jurisdictions” outside the U.S.

## 3. Importance of Proper Use of Trademark: may be lost if not used properly.

- Differentiate the mark from nearby text by:
  - Capitalizing the mark
  - Capitalizing the first letter of the mark
  - Using italics or boldface
  - Surrounding it by quotation marks in text
- Use the mark as an adjective that precedes a noun
- Use the ownership notice:
  - If registered with the USPTO, use ®
  - If not registered, use ™
  - Or, follow the mark with the word “trademark”

## Stage 4: Prototype

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### Beta Testing

#### Scenario

The Director of Quality Assurance has arranged to beta test the smart-phone with a Fortune 1000 customer that wants its sales force to call in all their holiday season orders using the new phone.

#### Issues Presented

- How do you protect your intellectual property?
- How do you protect both companies?
- How do you manage the test and feedback?

#### Legal Analysis

1. Control the business risk to the company using the product (tester)
2. Control the beta test via a detailed agreement/license
3. Control the results

#### 1. Control the business risk

- Prepare for a less than perfect test
  - Avoid production use
  - Absolutely avoid "I will bet my company on your device"
- Make sure the tester understands what is required of him or her
  - Avoid having the device sit unused
- Get the name of the person responsible for the execution of the test

#### 2. Control the beta test via a detailed agreement or license: Critical terms include

- Limited permissible use for beta products:
  - Not for production
  - Not with data that is confidential or will need to be recovered if lost
  - Test will be conducted in an isolated environment that will not interfere with normal business processes
- Ownership of hardware (loaned, sold, etc.)
  - Who is responsible for the shipping charges
  - Who will install
  - Who is responsible for the return/return charges
- License for Software which includes:
  - All the restrictions of your intended production license
  - Plus additional confidentiality
- Responsibilities of your employer and the evaluator
  - Installation, support, hot line or other help
  - Assign a manager, provide required physical location, provide staff (users), provide data for use by beta product, collect data from product, furnish feedback/evaluations
- Duration of test (Avoid "lifetime beta test")
- Disclaim warranties and indemnities

### 3. Control the Results

- Consider keeping the entire test confidential (in case of a notable lack of success)
- Feedback:
  - Specify the type of feedback you want: frequency, format, means of delivery
  - Ensure you have the right to use any suggestions or criticisms
- Testimonials
  - Ensure you have the rights necessary to include in ads, etc.
  - Generally, it is a better idea to wait until AFTER the beta test to have this discussion

## Stage 5: Announce

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### Advertising Campaign

#### Scenario

The Advertising Department is putting the final touches on a highly creative TV commercial that is notably better than anything they've ever done.

When you compliment their efforts they tell you: "Yeah, we totally got the idea from this sweet video we found on YouTube."

#### Issues Presented

- Can you use someone else's idea?
- Isn't YouTube material in the public domain?
- When is it copyright infringement?

#### Legal Analysis

1. Copyright definition
2. Qualifying for copyright protection
3. Registration
4. Duration of copyright protection
5. Common Misconceptions
6. Fair use defense
7. Infringement

#### 1. Copyright Definition

- Copyright is a form of protection provided by the government to the authors of "original works of authorship, including literary, dramatic, musical, artistic, and certain other intellectual works."
- Protection is available to both published and unpublished works, regardless of the nationality or domicile of the author.
- Unlawful for anyone to violate the rights provided by copyright law to the copyright owner
- When does copyright occur?
  - Copyright protection exists from the time the work is created in a fixed, tangible form of expression.
  - Copyright in the work of authorship immediately becomes the property of the author who created the work.
  - Only the author, or those deriving their rights through the author, can rightfully claim copyright.
  - In the case of works made for hire the employer, not the writer, is considered to be the author.
  - Ownership or possession of a book, manuscript, painting, etc., does not give you the copyright to the work. The transfer of ownership of any material object that embodies a protected work does not, of itself, convey any rights in the copyright.

## 2. Qualifying for copyright protection

Copyright-Protected	Not Copyright-Protected
Literary works	Works that have not been fixed in a tangible form of expression (written, recorded or captured electronically)
Musical works, including any accompanying words	Titles, names, short phrases and slogans; familiar symbols or designs; mere listings of ingredients or contents.
Dramatic works, including any accompanying music	Ideas, procedures, methods, systems, processes, concepts, principles, discoveries or devices, as distinguished from a description, explanation or illustration.
Sound recordings Computer Software	Works consisting entirely of information that are natural or self-evident facts, containing no original authorship, such as the white pages of telephone books, standard calendars, height and weight charts and tape measures and rulers.
Pictorial, graphic and sculptural works	Works created by the U.S. Government.
Motion pictures and other audiovisual works	Works for which copyright has expired; works in the public domain.

## 3. Copyright Registration

- Copyright is secured automatically when the work is fixed in a tangible form, such as the first time it is written or recorded.
- Neither publication, registration or other action in the Copyright Office is required to secure copyright, although registration is recommended.
- Copyright Notice
  - The use of a copyright notice is no longer required under U.S. law, although it is often beneficial.
  - Requirement was eliminated when the United States adhered to the Berne Convention, effective March 1, 1989.
  - A copyright holder may utilize a copyright notice without permission from or registration with, the U.S. Copyright Office.
  - Use of a copyright notice is recommended to remind the public that the work is protected by copyright. The typical notice includes: The symbol © (the letter C in a circle), or the word "Copyright", the year of first publication of the work, the name of the owner of copyright in the work. Example: © 2009 Dell Inc.

## 4. Duration of copyright protection

- Copyright terms vary with the date of creation.
  - Created on or after January 1, 1978, is automatically protected from the moment of its creation and a term of the author's life plus 70 years
  - Works made for hire and anonymous works – term of 95 years from publication or 120 years from creation, whichever is shorter.
  - Created and published or registered before January 1, 1978, or for more detailed information, you may wish to refer to the public domain (link) section or request Circular 15, "Renewal of Copyright;" Circular 15a, "Duration of Copyright;" and Circular 15t, "Extension of Copyright Terms," from the U.S. Copyright office, [www.copyright.gov](http://www.copyright.gov).

## 5. Common Misconceptions

- “But we got it off the internet- isn’t that the public domain?”
- Public domain in copyright law should not be confused with publicly available
- Generally, works are in the public domain when:
  - Generic information, such as facts, numbers and ideas.
  - Works whose copyrights have lapsed due to the passage of time or the failure of the copyright holder to renew a registration (a requirement that applies to works created before 1978).
  - Works created by the U.S. federal government.
  - Works that have been "dedicated" (donated) to the public domain (Rare)

#### 6. Fair Use:

- “But what about “fair use” here? We’re using the work in a “fair and balanced” way”
- Fair use recognizes that certain types of use of other people's copyright protected works do not require the copyright holder's authorization. In these instances, it is presumed the use is minimal enough that it does not interfere with the copyright holder's exclusive rights to reproduce and otherwise reuse the work.
- Fair use is primarily designed to allow the use of the copyright protected work for commentary, parody, news reporting, research and education.
- Section 107 of the United States Copyright Act lists four factors to help judges determine, and therefore to help you predict, when content usage may be considered "fair use."
  - The purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit, educational purposes.
  - If a particular usage is intended to help you or your organization to derive financial or other business-related benefits from the copyright material, then that is probably not fair use.
  - The nature of the copyrighted work.
  - Use of a purely factual work is more likely to be considered fair use than use of someone's creative work.
  - The amount and substantiality of the portion used in relation to the copyright protected work as a whole. (There are no set page counts or percentages that define the boundaries of fair use. Courts exercise common-sense judgment about whether what is being used is too much of, or so important to, the original overall work as to be beyond the scope of fair use.)
  - The effect of the use on the potential market for or value of the copyright protected work. (This factor looks at whether the nature of the use competes with or diminishes the potential market for the form of use that the copyright holder is already employing, or can reasonably be expected soon to employ, in order to make money for itself through licensing.)
- At one extreme, simple reproduction of a work (i.e., photocopying) is commonly licensed by copyright holders, and therefore photocopying in a business environment is not likely to be considered fair use
- At the other extreme, true parody is more likely to be considered fair use because it is unlikely that the original copyright holder would create a parody of his or her own work.
- Most organizations prefer to follow the motto "when in doubt, obtain permission."

**7. Infringement: Big deal. So what happens if I do it anyway?**

- If the copyright holder has registered the infringed work with the U.S. Copyright Office prior to the infringement, the copyright holder may be entitled to compensation for his loss.
- Compensation may include damages, such as lost profits from the infringing activity, or statutory damages ranging from \$250 to \$150,000 for each infringing copy or higher if the court feels that the infringement was committed "willfully."
- You may also be criminally liable if you willfully copy a work for profit or financial gain, or if the work has a value of more than \$1,000.
- Penalties can include a one year jail sentence plus fines. If the value is more than \$2,500, you may be sentenced to five years in jail plus fines.
- Criminal penalties generally apply to large-scale commercial piracy.

## Stage 6: Sale

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### Employee Leaves for Competitor

#### Scenario

Susan Boyle, the engineer who played a critical role in the development of the smart-phone, announces her intention to leave the company to join a competitor. Due to an oversight, she never had an employment agreement in place with Widgetronix.

#### Issues Presented

- Who owns the IP associated with the cell phone?
- Can the employee work for a competitor?
- How can the former employer protect its trade secrets?
- How can the new employer protect itself?

#### Legal Analysis

- Ownership Analysis
- Non-compete agreements
- Protecting trade secrets

#### 1. Ownership Analysis

- As discussed in the initial section of the program, the outcome will depend on
  - Employee agreements
  - Theories of works for hire

#### 2. Non-compete Agreements

- Agreement with employee which limits future employment possibilities
- Is such an agreement in place?
- Is it enforceable? The scope of the limitations must only be as broad as is necessary to protect the former company's interests. Overly broad agreements will be successfully challenged. Generally, courts consider time, industry and geographic limitations
- Can you invoke "inevitable disclosure": Inevitable Disclosure describes the likelihood that a trade secret will be disclosed by a former employee to the new employer in the course of his work. This concept is narrowly applied after consideration of a number of factors

#### 3: Protecting Trade Secrets

- Distinguish protectable trade secret from general skill and knowledge of employee
- Misappropriation by memory occurs when a former employee has used a memorized trade secret for the benefit of an entity other than the owner.
- Have you established that you have a trade secret to protect? The owner must take appropriate steps to protect its property.
  - See discussion under *Confidential Information Leak*
- Establishing your claim: Send notices to the former employee and his new employer regarding the former employee's access to trade secrets and his obligation not to use it for the benefit of the new employer. Consider requesting an acknowledgement by the former employee and the new employer.



## Stage 6: Sale

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### Technical Conference

#### Scenario

Simon, Susan's co-inventor, tells you that he is submitting a paper on their thought dialing invention to a technical conference. He would like your approval.

#### Issues Presented

- What inventions are described in the paper?
- How does this affect the inventions protection?
- Who owns the paper itself, and how does the answer jeopardize your invention?

#### Legal Analysis

1. Does the paper affect the protection of any invention?
2. Ownership of the paper
3. Disclaiming copyright of the paper

#### 1. Does the paper affect the protection of any invention?

- Patents: does the paper contain a description of inventions that you have NOT YET FILED FOR
  - US gives you one year's grace period from publication to file
  - Europe and AP: filing is precluded
  - Note: you can argue the actual date of publication but a better practice is to file before the paper is sent to the committee
- Trade Secrets: does the paper contain an invention you elected to protect by trade secret?
  - quash the paper

#### 2. Ownership of the Paper

- Creation of content:
  - Ensure the engineer wrote the paper himself and drew all the diagrams
  - If anything is copied from another paper or book
    - Is the amount copied small enough to argue "fair use" or do you need to get permission?
    - Was the appropriate attribution included?
  - If anything is copied from a webpage
    - Web pages are copyrighted, either have a fair use argument or get permission
    - Note: web pages often have terms of use in their legal section
- Do you, the employer, own the paper or does the employee? See employment agreements, etc.

#### 3. Disclaiming the copyright

- If you have ownership terms in your employment agreement, you are the owner of the paper
- You need to give the employee permission to publish the paper and sign the necessary agreements
- Establish a procedure:
  - Create a form with the author's name, his manager's name, an affirmation by the manager that the paper does not contain any trade secret or other confidential information
  - Enforce the procedure: otherwise the employees will simply assume they can publish whatever they want

## ACC Extras

Supplemental resources available on [www.acc.com](http://www.acc.com)

Management of Trademarks

Program Material. March 2008

<http://www.acc.com/legalresources/resource.cfm?show=19838>

New to In-house: The IP/CSR Link.

ACC Docket. March 2008

<http://www.acc.com/legalresources/resource.cfm?show=14358>

Kroll's Key Takeaways on Brand Protection for Corporate Counsel.

Quick Reference. October 2008

<http://www.acc.com/legalresources/resource.cfm?show=275065>

Please note, these additional resources are provided by the Association of Corporate Counsel and not by the faculty of this session.