



902 IP Issues for the Generalist

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Faculty Biographies

Vanessa L. Allen

Vanessa L. Allen is senior corporate counsel for Digex, Incorporated, where she is a transactional attorney with a concentration in intellectual property law and corporate law. Digex, which Ms. Allen successfully helped to take public in 1999, is a web and application hosting service provider that provides web-hosting services, business connectivity, and consulting services for corporate clients.

Prior to joining Digex, Ms. Allen worked as an attorney for MCI Telecommunications Corporation, in the Network and Facilities Group, handling a variety of wireless and telecommunications issues, real estate issues, and vendor matters.

Ms. Allen currently sits on the executive board for AbleTV.net the first global TV network for people with disabilities powered via the worldwide web. She speaks at several national conferences, and has been interviewed for *Legal Times* and the *Washington Post*. Ms. Allen has also appeared several times on CNN's *Burden of Proof* and *Talk Back Live*.

Ms. Allen received a BA from Drew University after studying at Oxford University and Central Polytechnic University. Ms. Allen has a JD from American University's Washington College of Law and a MBA, with a concentration in Information Technology and Electronic Commerce, from American University's Kogod College of Business. She has been certified by the Tulane Institute of European Legal Studies in international intellectual property, European community law, and international corporate law.

Lynne M. Durbin

Lynne M. Durbin is general counsel and secretary for Adhesives Research, Inc. in Glen Rock, PA. Her responsibilities include providing legal counsel to the domestic and international operations of the company and its sister organizations, managing intellectual property matters, assisting in the development of business strategies, managing litigation, developing policies, and training.

Prior to joining Adhesives Research, Inc., Ms. Durbin served for 11 years as division counsel and director of environment, health, and safety for the Grace Davison business unit of W.R. Grace & Co.-Conn. While at Grace, she provided counsel on general corporate and commercial matters, environmental health and safety issues, intellectual property matters, antitrust matters, and acquisitions, as well as managing the environmental health and safety department for an international multi-location inorganic chemical manufacturer.

Ms. Durbin is currently vice president of Network 2000, Inc., an organization devoted to mentoring women managers and increasing membership of women on corporate boards, on the board of directors of the Parks & People Foundation, vice president and treasurer of ACCA's Baltimore Chapter, and an active fundraiser for the Penn Laurel Girl Scouts and the Greater York, Pennsylvania United Way. Ms. Durbin was named to *The Daily Record's* list of Maryland's Top 100 Women in 2000 and 2002.

Ms. Durbin received a BA from Yale University and a JD from the Boston University School of Law.

Robert A. Maggio

Robert A. Maggio is chief patent counsel of W.R. Grace & Co.-Conn. responsible for providing overall direction and leadership in all intellectual property matters of the corporation including patents, trademarks, copyrights, trade secrets, licensing, and information technology.

Mr. Maggio has over 25 years of experience in corporate and law firm practice of intellectual property. He began his legal career at the law firm of Burns, Doane, Swecker and Mathis, following which he was patent counsel at Exxon Chemical Co. prior to joining W.R. Grace & Co.-Conn.

Mr. Maggio received a BS from St. Peters College, a JD from New York Law School, and an LLM in patent law from George Washington University School Of Law.

Section 902 - Intellectual Property Issues for the Generalist

Copyrights

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COPYRIGHT BASICS

1. **What is copyrightable?**
 - A. 17 U.S.C. §102 states that copyright protection exists “in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device”.
 - B. Works of authorship include the following categories:
 1. Literary works;
 2. Musical works;
 3. Dramatic works;
 4. Pantomimes and choreographic works (these must be notated or recorded in order to obtain protection);
 5. Pictorial, graphic and sculptural works;
 6. Motion pictures and other audio-visual works;
 7. Sound recordings;
 8. Architectural works (these include a building’s form and the arrangement of spaces and elements and the design) and
 9. Software.
 - C. Copyright protection exists in the expression of ideas but not in the ideas themselves. Therefore, if one of your company’s employees was writing a technical article, the company would have protection in the written article itself, but no protection with respect to underlying scientific facts set forth in the article.

2. **When does a copyright exist?**

- A. A copyright exists upon the creation of a work, regardless of its publication. Once a work is created, it does not need to be published to have copyright protection.

3. **Is marking necessary for copyright protection?**

- A. Generally, since March 1, 1989, it has been unnecessary to mark works in order to obtain copyright protection. Nevertheless, most practitioners and commentators agree that it is still a good practice to mark a work so potential infringers are on notice of the copyright status of the work and cannot claim innocence or lack of knowledge.

The appropriate way to mark a written work is as follows:

©2002 Lynne M. Durbin.

The © is the Universal Copyright Convention symbol. In lieu of its use, the word “copyright” or the letters “copr” will suffice. The date indicates the year of first publication of the work. The name should be the full name of the copyright owner.

For phonographs and sound recordings, a “p” in a circle is used in lieu of the ©.

For those who may seek copyright in semiconductor masks, an “m” in a circle replaces the “c” and there is no need to show a date of first publication.

4. **Is it necessary to register a copyright?**

- A. As indicated above, copyright exists on the creation of the work, regardless of publication. However, there are numerous benefits to registration of a copyright, including the following:
1. Registration is required before an infringement suit may be filed.
 2. Registration establishes a public record of the copyright that puts the world on notice. This can deter claims of “innocent” infringers.
 3. If a copyright is registered within five (5) years of publication, the registration is *prima facie* evidence of the validity of the copyright.
 4. If the work is registered within three (3) months of publication or prior to infringement, statutory damages and attorney’s fees may be available in court.

Otherwise, damages would be limited to actual damages plus the infringer's profits earned from the actual use of the infringing work, if any.

5. Registration allows the copyright owner to record the registration with the U.S. Customs Service for protection against importation of infringing copies.

5. **How is a copyright registered?**

- A. Filing for a copyright is a very simple matter which requires completion of a form from the U.S. Copyright Office (sample form attached), payment of a Thirty Dollar (\$30) filing fee and a deposit of samples of the work. Each medium of work has a different form and different requirements for depositing samples of the work.

The straight-forward rules on filing for and renewing copyrights are contained in the U.S. Copyright Office website at <http://www.loc.gov/copyright/circs/circ1.html>. Forms can be downloaded from the site.

6. **What are the benefits of copyrighting a work?**

- A. Copyrights are personal property rights and can be transferred by written agreement, by operation of law, by will or through intestate succession. They have value because the law provides the copyright holder with the exclusive right to reproduce, distribute to the public, perform in public, and display in public, the copyrighted work. The law also gives the copyright owner the right to prepare derivative works. These are works based upon and incorporating, at least in part, the expression of the original copyrighted work.
- B. Copyrights of any value are normally licensed for a royalty or sold or assigned for a fee.
- C. The existence of a registered copyright will allow the holder to sue others for infringement of the copyright and obtain actual as well as statutory damages.

7. **What is the term of copyright protection?**

- A. For all works published after January 1, 1978, copyright protection attaches as follows:
 1. From creation through the end of the author's life, plus an additional 70 years;
 2. For anonymous works or works-made-for-hire, for 95 years from the first publication or 120 years from the year of creation, whichever expires first.

- B. For works that were published or registered before January 1, 1978 (these works needed either to be published with a copyright notice, or registered, if held in unpublished form), the original term was 28 years, with renewal for an additional 28 years. Subsequent amendments to the copyright law have extended the period of renewal to 67 years, for a potential total of 95 years (28 plus 67).

8. **What type of protections do copyrights enjoy internationally?**

- A. Each country has its own set of copyright laws. If your company is particularly concerned about maintaining a copyright in a certain country, then contact with local counsel and proper registration is a must.

- B. There are two international conventions which cover copyrights:

1. The Berne Convention for the Protection of Literary and Artistic Works. This convention is enforced and governed by the World Intellectual Property Organization (WIPO).

Signatories to the Berne Convention must agree to the following four basic protections:

- a) Each signatory country will give other signatory countries' works the same protection in its country as it gives its own citizens' works;
- b) A signatory country may not require copyright notices or registration in order to grant copyright protection;
- c) The minimum length of a copyright must be for the life of the author plus 50 years; and
- d) Each signatory country must protect the "moral rights" of the author. [Moral rights are not much understood in the United States. Although the U.S. is a signatory to the Berne Convention, there is little U.S. case law dealing with moral rights. In Europe, moral rights subsist in the author of a protected work. Even if the author assigns the copyright on his work to another party, the author can still exercise his "moral rights" to prohibit certain uses of the work or changes to the work which would be detrimental to his original creation. For example, if the author had sold or assigned his copyright to a black-and-white film, he could still step in to prohibit the colorization of that film.]
- C. The Universal Copyright Convention. This convention is cited less frequently since the enactment of the Berne Convention.

HOT BUTTONS FOR SMALL LAW DEPARTMENT PRACTITIONERS AND GENERALISTS

1. Does your company really own the copyrighted work?

A. *Works Made for Hire* - The copyright law recognizes that an employer or other person for whom a work is prepared is considered the author for copyright purposes. Specifically, the law provides that a work made for hire is “a work prepared by an employee within the scope of his or her employment” or “a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audio-visual 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. §101, emphasis added).

B. *Standard Agreements* - The biggest issue regarding works made for hire for most companies arises in connection with the use of independent contractors. Companies frequently hire contractors or consultants to create software, design or update websites, or to provide other creative services. These contractors do not fall into the category of “employees”, so a company must take specific steps to obtain rights to copyright ownership. This should be done through written assignments of ownership and acknowledgment of work-for-hire status in the contract for services or in the purchase order. It is important that both parties sign the document. (Sample language for assignment of these rights is included at the end of this paper.)

If your company does not use a standard independent contractor agreement or if all non-standard agreements do not cross your desk, consider adding such assignment language to your purchase order forms.

C. *Website Issues* –

1. Most companies and counsel have dealt with the issue of software design and ownership by this point. However, many companies are still in the process of setting up websites and may not yet have encountered issues specific to website development. As with any other work-made-for-hire, the company and the website developer will want to determine precisely who has rights to the website. Naturally, each party will own whatever original information it brings to the process. For the website owner, this is usually content. For the developer, it is sometimes content, but more likely will be the tools needed to create and operate the website.

Although this is a natural delineation of ownership, it may not be advantageous to your company. As owner of the website, your company will want to own as much of the copyright and other intellectual property relating to the website as possible so that it will be able to move the website to a different host, give it to a new development team if the initial one does not work out, or be able to reuse part or all of the website information as part of other projects, in either electronic or more tangible mediums.

Since web designers may have a legitimate interest in retaining some rights in the site, it is important to have an array of options for handling ownership issues. Various techniques for solving ownership problems include: allowing the developer to own a significant portion of the website, provided it grants back to the company broad rights for use and/or agrees that it will not use the website materials with competitors of the company; negotiating a perpetual license to use the developer's pre-existing content and tools in connection with the operation of your site; and granting the developer greater credit on your website for its design team, as a trade-off for the developer giving the company broader rights. In connection with the latter point, the company may wish to limit the right to hyperlink to the designer's site, suggesting instead the use of pop-up boxes. This will keep users at the company's site and not lose them to the designer's site.

A further consideration in website development agreements is the possibility of the company site infringing upon other copyrighted materials. It is useful to obtain representations from each party that their content or creation does not infringe rights of others. This will be particularly useful in allowing your company to seek the safe harbors of the Digital Millennium Copyright Act that will be discussed in greater detail later in this paper.

2. Is your company giving away its rights in copyrighted works without its knowledge? or What are Your PR and R&D personnel doing?

- A. In a small law department context, it is often difficult to train all segments of the business in all areas in which they need training. This is particularly true in terms of the wide range of training that could be provided to marketing and PR personnel and to technical and R&D personnel. In both of these areas, individuals are frequently creating original works that would be subject to copyright by your company. These works may take the form of articles for technical journals, papers for presentation at technical conventions and conferences, and marketing and public relations materials.

Frequently, your employees will receive copyright assignment forms from magazines or technical journals in which they wish to place an article or from conference organizers. Many of these employees will not seek your input before executing these documents and will sign away your company's rights. While

there is no 100% foolproof method to prevent this, it is well worth your time to send at least a broadcast email or memorandum to the people in these departments informing them of the need to review any assignments of copyrights with you prior to execution of such documents. Sometimes, you will be able to avoid the assignment altogether. Frequently, you will be able to contact the proposed assignee and work out an arrangement whereby you will retain some, if not all of the rights with respect to future use of these materials. If you are not able to retain the rights, you should be able to negotiate the areas in which the materials will be used by the assignee.

3. **Is your copying machine always busy?**

- A. Although most business people show a familiarity with the idea of copyrights, an amazing amount of copying of magazines, newspapers, and journal articles for internal circulation goes on in companies. If this is done to excess, it can subject a company to potential copyright infringement actions from the owners of the works being copied.

If you anticipate significant copying of articles within your organization, the simplest way to obtain rights to make multiple copies is to obtain a license through the Copyright Clearance Center, Inc. (<http://www.copyright.com>). The Copyright Clearance Center is a not-for-profit organization that provides licenses for reproduction and distribution of copyrighted materials throughout the world. It represents over 9,600 publishers and hundreds of thousands of authors and other creators.

The Center gives annual blanket licenses to participating companies who pay a single fee to photocopy portions of copyrighted articles for internal use only. If material is to be used for external purposes, then your company must pay royalties to the owner or the publisher of the material.

Many small companies feel that it is too costly to use the Copyright Clearance Center to obtain a license. If your company falls in this category and significant copying is being done from any one source, either additional subscriptions should be obtained or a direct license should be worked out with the copyright holder.

4. **Is your website/chatroom/bulletin board creating liability issues?**

- A. The digital age has brought with it a whole new realm of issues to be handled under the copyright law. The courts have struggled with the application of traditional copyright principles to many of the issues that arise with web-related activities. In an effort to resolve several of the issues that had been surfacing, Congress passed the Digital Millennium Copyright Act (DMCA) in October of 1998 (effective January, 1999).

Among other things, the DMCA added a new §512 to the Copyright Act, creating four new limitations on liability for infringement by online service providers. [Although there are nuances to the definition of “online service provider” depending on which portion of the new law is in question, essentially, a service provider is defined as “a provider of online services or network access, or the operator of facilities therefor” (*see* 17 U.S.C. §512(k)(1)(B).) Therefore, most companies that have websites that offer services or provide links to other sites should be able to take advantage of the provisions of the new law.]

The new limits on liability are for:

1. Transitory communication;
2. System caching;
3. Storage of information on systems or networks at the direction of users; and
4. Information location tools.

The DMCA provides a complete bar to monetary damages and restricts availability of injunctive relief in these areas.

In order for a company to comply with the DMCA, it must do the following:

1. Register a designated agent for service with the U.S. Copyright Office. This entails paying a \$20 fee to list your designated agent.
2. Respond promptly to claims that infringing material is posted on the company site. (This usually means removing the offending material or disabling any links to the offending material.)
3. Implement a website copyright infringement policy. (This would usually be done by posting a website use policy on the company site for those using the site and by adding language to your employee manual, if you provide network connections to employees.)

If your company is involved in providing services through websites and on the Internet, particularly in the areas of framing, crawling, caching and linking, you should familiarize yourself with the provisions of this Act. There is limited case law interpreting the DCMA at this time, so there may be some latitude in its application.

Since the DCMA is detailed and has different conditions that apply to each of the four areas of limitation, a copy of §512 is attached to the end of this paper. You should review the terms of the Act carefully to determine if it provides your company with the necessary protection.

5. **What happens if your company engages in infringing activity?**

- A. Copyright infringement results from the actual copying or derivation of copyrighted material without license or other permission from the author or copyright holder. Infringement requires a work to be “substantially similar” to the copyrighted work.
- B. Remedies available to the author or copyright owner include injunctions, recovery of actual damages and profits of the infringer, and statutory damages if registration has been timely accomplished. Occasionally, criminal prosecution can result.
- C. If your company is requested to cease and desist from infringing a copyright prior to the commencement of litigation, retractions and acknowledgments may be sufficient to settle the matter. If that does not work, a license for the use will most likely be required.
- D. If litigation commenced, depending on the area in which the infringement took place, the company may find safety in one of the safe harbors under the DCMA (discussed above). Otherwise, there are two other standard defenses:
 - 1. *The First Sale Doctrine* – This doctrine permits the purchaser of a particular copy of a work to sell or otherwise transfer the work without permission. This is a very limited defense and probably will not cover most activities within a corporation.
 - 2. *Fair Use* – This defense permits criticism, comment, news reporting, teaching, scholarship, research and similar activities using the copyrighted work. It is not usually available to organizations if there is a commercial basis for the copying. However, it does constitute the most significant defense outside of the DCMA and should be considered if your company is in an infringement position..

In order to effectively mount a fair use defense to a claim of infringement, the company’s activities must meet a four-part test applied by the courts:

- a) What is the purpose and character of use? -
 - (i) is the use commercial in nature?;
 - (ii) is the new work transformative?.
- b) What is the nature of the copyrighted work? –
 - (i) creative works tend to be granted greater protection than more mundane works, such as fact compilations.

- c) What is the amount and how substantial a portion of the work was used in relation to the work as a whole? –
 - (i) this is the copying/substantially similar issue – the more you copy, the more likely you are to be infringing.
- d) What is the effect of use on the potential market or value of the work? –
 - (i) will it deprive the owner of copyright license fees?

The case law is very fact-specific. Essentially, the more commercial the use, the greater amount of the work copied, and the more revenue being diverted from the owner of the copyright, the more likely it is that the defense will fail.

For examples of cases with disparate outcomes, see:

1. Campbell v. Acuff-Rose Music, 510 U.S. 569 (1994). This case dealt with 2 Live Crew's parody of "Oh, Pretty Women". Since the song was a parody, the court found that even though a great deal of the original work was used, it was necessary to do so in order to carry out the parody. The court also found that the parody did not deprive the owner of "Oh, Pretty Women" of sales of the original recording. The court reasoned that those who bought the parody would be just as likely to buy the original. The court found the parody to be a matter of fair use.
 2. A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001), reached the opposite result. In this case, the court found that complete works were being copied (not just some portion thereof) and that these copies were depriving the owner of copyright license fees. The court found the activity did not constitute fair use.
 3. Suntrust Bank vs. Houghton Mifflin, 252 F.3d 1165 (11th Cir. 2001), dealt with the book, The Wind Done Gone, which looked at the story and characters of Margaret Mitchell's Gone With the Wind from the point of view of the slaves. The court found the work to be transformative and a fair use.
 4. Castle Rock Entertainment, Inc. vs. Carol Publishing Group, Inc., 150 F.3d 132 (2nd Cir. 1998), dealt with a trivia book based on the Seinfeld show. The court found no transformative features and determined the book did not constitute fair use.
- E. In light of the vagaries of the protection surrounding this defense, it is best to counsel your company personnel to avoid infringement in the first instance.

Sample Assignment of Rights Clause

I. For Consultants/Independent Contractors

Title and Copyright Assignment

Consultant and Company intend this to be a contract for services and each considers the products and results of the services to be rendered by Consultant hereunder (the "Work") to be a work made for hire. Consultant acknowledges and agrees that the Work (and all rights therein, including, without limitation, copyright) belongs to and shall be the sole and exclusive property of Company.

If for any reason the Work would not be considered a work made for hire under applicable law, Consultant does hereby sell, assign, and transfer to Company, its successors and assigns, the entire right, title and interest in and to the copyright in the Work and any registrations and copyright applications relating thereto and any renewals and extensions thereof, and in and to all works based upon, derived from, or incorporating the Work, and in and to all income, royalties, damages, claims and payments now or hereafter due or payable with respect thereto, and in and to all causes of action, either in law or in equity for past, present, or future infringement based on the copyrights, and in and to all rights corresponding to the foregoing throughout the world.

If the Work is one to which the provisions of 17 U.S.C. 106A apply, the consultant hereby waives and appoints Company to assert on the Consultant's behalf the Consultant's moral rights or any equivalent rights regarding the form or extent of any alteration to the Work (including, without limitation, removal or destruction) or the making of any derivative works based on the Work, including, without limitation, photographs, drawings or other visual reproductions of the Work, in any medium, for Company's purposes.

Consultant agrees to execute all papers and to perform such other proper acts as Company may deem necessary to secure for Company or its designee the rights herein assigned.

II. For Employees

Assignment of All Rights

Company Work-Product – The Employee agrees to disclose fully to the Company, and to assign and transfer to the Company immediately upon origination or acquisition thereof, the right, title, and interest in and to any and all inventions, discoveries, improvements, innovations, copyrights, trademarks, trade secrets, and/or designs (“Work Product”) made, discovered, developed, or secured by the Employee, solely or jointly with others or otherwise, either:

- (a) during the period of (his/her) employment, if such Work Product is related, directly or indirectly, to the business of, or to the research or development work of the Company and/or its Affiliated Companies;
- (b) with the use of the time, materials, or facilities of the Company and/or any of its Affiliated Companies; or
- (c) within one (1) year after termination of such employment if conceived as a result of and is attributable to work done during such employment and relates to a method, substance, machine, article or manufacture for improvements, procedure and/or process within the scope of the business of the Company and/or any of its Affiliated Companies, together with rights to all intellectual property rights which may be granted thereon.

Immediately upon making, discovering, developing, or securing any such Work Product, Employee shall notify the Company and shall execute and deliver to the Company, without further compensation, such documents as may be necessary to prepare or prosecute applications for such Work Product and to assign and transfer to the Company his/her right, title and interest in and to such Work Product and intellectual property rights thereof. Employee acknowledges that he/she has carefully read and considered the provisions of this Paragraph and, having done so, agrees that the restrictions set forth herein are fair and reasonable and are reasonably required for the protection of the interests of the Company, its officers, directors, other employees, and Affiliated Companies.

Bibliography/Resources

Banner & Witcoff, Ltd., Intellectual Property, A Basic Overview, (1999), at 73-85.

Werbach, Johanna L., Krzynowek, Kerry A., Porter, William F., "Top 100 Copyright Issues for the Digital Age", ACCA Docket, January 2002, at <http://www.acca.com/protected/pubs/docket/jf02/copyright1.php>.

Various, "Digital Millennium Copyright Act of 1998, U.S. Copyright Office Summary", Course Materials, Delivering Strategic Solutions ACCA's 2000 Annual Meeting (2000).

ACCA website – <http://www.acca.com>. See Virtual Library, IP Infopaks and IP Committee Pages.

Copyright & Fair Use, Stanford University Libraries website – <http://www.fairuse.stanford.edu>.

Copyright Clearance Center website – <http://www.copyright.com>.

Copyright Law website – <http://www.copyright.gov/title17>.

Copyright website – <http://www.benedict.com>.

U.S. Copyright Office Site (in Library of Congress) – <http://www.loc.gov/copyright>.

World Intellectual Property Organization website – <http://www.wipo.org>.

ACCA
COURSE 902
IP ISSUES FOR THE GENERALIST
SECTION 2
PATENT AND TRADEMARK
TOPICS

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Patents and Trademarks

I. Patents

(A) Definition:

A U.S. patent is a grant for a fixed period of time from the U. S. government, obtained through the U. S. Patent and Trademark Office, to one or more inventors of the right to exclude others from making, using, selling, offering to sell, or importing into the United States, the invention recited in the claims.

(B) Types of U. S. Patents

There are three types of U. S. patents, namely, utility, design and plant patents. Some countries also have utility model patents (typically narrowly claimed, shorter duration, may be unexamined) but the U.S. does not.

(C) Claims:

All three types of patents end with claims which are single numbered sentences that define the metes and bounds of the exclusionary rights. Utility patents typically have two types of claims, namely, independent (does not refer to another numbered claim) and dependent claims (refers to (i.e., depends from)) at least one other numbered claim which directly or indirectly ultimately depends from an independent claim). The independent and dependent claims which depend therefrom form sets of claims. A dependent claim incorporates by reference all the limitations of the claim to which it refers, 35 U.S.C. §112, paragraph 4, and hence is narrower than the claim from which it depends. The

primary purpose of dependent claims is to provide fall back positions in the event a broader claim referred to is found invalid. A secondary effect, if not a purpose, is to render the patent more focused as prior art against subsequent attempts to patent improvements of the claimed invention. The disclosure needed to support dependent claims many times permits one to add new claims to distinguish over prior art not known at the time of filing.

Example 1

1. A composition comprising a mixture of components A, B, and C.
2. The composition of claim 1 further comprising component D.
3. The composition of claim 2 wherein component D is a halide salt of compound X.

In the above example, claim 1 is an independent claim while claims 2 and 3 are dependent claims. The inclusion of components D, E and/or F into a mixture of A, B, and C would still infringe claim 1 because the transitional phrase “comprising” is open ended and does not exclude any additional components as long as A, B, and C are present. However, this is a double edged sword because it means that if the prior art discloses a composition comprising A, B, C and E, claim 1 would be invalid. This outcome is captured by the axiom “that which infringes if later, anticipates if earlier” *Peters v. Active Manufacturing Co.*, 129 US 530, 537 (1889); *Polaroid Corp. v. Eastman Kodak Co.*, 789, F.2d 1556, 1573, 229 USPQ 561, 574 (Fed. Cir. 1986).

However, dependent claim 2 requires the presence of D and might avoid invalidation over A, B, C and E,

The three different types of U. S. patents are typically distinguished by the subject matter which is claimed.

(D) Utility Patents

Utility patents can cover a process, machine, manufacture, or composition of matter, or any improvement thereof, 35 USC §101. A machine is typically associated with a mechanical invention having moving parts, whereas a manufacture is typically associated with a mechanical invention having no moving parts, e.g., a screwdriver or shovel. However, computers are considered machines. (*In re Alappat* 31 USPQ 2d 1545, 1527 (Fed. Cir. 1994)). Utility patents cannot cover an abstract idea, principle or force, law of nature, or natural phenomenon, but may cover the practical application to a useful end of the foregoing. *Diamond v. Diehr*, 450 US 175, 185, 187-88, 209 USPQ 1, 7-9 (1981). Recently, the CAFC ruled that business methods are patentable subject matter, *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.2d 1368, 47 USPQ 2d 1596, (Fed. Cir. 1998); *cert. Denied*, 119 S. Ct. 851 (1999).

(i) Legal Requirements

The legal requirements for a patent in the U. S. are created by federal statute (35 USC). There are no state law requirements. The

statute is implemented by rules found in 37 CFR. The legal requirements are summarized as follows:

1. Patentable subject matter (35 USC §101)
2. Utility (35 USC §101 and 112)
3. Novelty (35 USC §102)
4. Nonobviousness over the prior art (35 USC §103)
5. Proper form and content of the patent application (35 USC §112)

- (a) Enablement
- (b) Best mode
- (c) Written description
- (d) Claims

6. Payment of Fees

- (a) Filing fee (\$740.00)
- (b) Publication fee (\$300.00)
- (c) Issue fee (\$1,280.00)
- (d) Maintenance fees (\$880.00; \$2020.00 ; \$3100.00)¹

(a) Subject Matter

Patentable subject matter was discussed above in Section ID.

¹ Maintenance Fees are due at year 3.5, 7.5 and 11.5 measured from issue date.

(b) Utility

The utility requirement is typically easily satisfied since almost any practical utility will suffice. Sometimes difficulties are encountered in Biotech cases where utility of a particular DNA sequence is questioned. The most common example of subject matter which lacks utility is a perpetual motion machine.

(c) Novelty (35 USC §102)

The novelty requirement refers to standards which attempt to ensure the invention is new. However, instead of identifying when something is new, the statutory requirements (35 USC §102) are phrased in terms of acts or events which can negate novelty if they occur. It is for this reason that the novelty defeating events are often described as “bars.”

Moreover, most of the novelty defeating events also have a time dimension, i.e., they must occur prior to certain events associated with the invention, and a geographic dimension. The events, timing and geographical location are summarized in simplified form at Table 2.

Table 2

35 USC §102

Sub Section of 35 USC §102	Prior Art Event	Location of Event	Timing
102(a)	Public Knowledge or use	U.S.	Before Invention of Applicant
102(a)	Described in Publication	Anywhere in the World	Before Invention of Applicant
102(b)	Patented or Described in Printed Publication	Anywhere in the World	More than 1 year prior to application filing date
102(b)	Public Use of Invention	U. S.	More than 1 year prior to application filing date
102(b)	On Sale	U. S.	More than 1 year prior to application filing date
102(c)	Abandonment	N/A	N/A
102(d)	Patented in Foreign Country	Foreign Country	More than 12 months prior to filing application in the U.S.
102(e)(1)	Published in U. S. Patent Application or PCT Application published in English	U. S. or Foreign (If PCT)	Before Invention by Applicant
102(e)(2)	Patented in U. S. Patent	U. S.	Before Invention by Applicant
102(f)	Invention not Invented by Applicant	N/A	N/A
102(g)(1)	Invented by another who did not abandon, suppress or conceal invention	U. S.	Before Invention by Applicant
102(g)(2)	Win interference with Applicant by establishing priority of Invention over Applicant	U. S., NAFTA or WTO Country	N/A

In order to defeat novelty, the barring event must involve or embody each and every limitation of the claim.

(d) Nonobviousness (35 USC §103).

The Nonobviousness requirement is directed to ensuring that “obvious” variations to subject matter constituting part of the “prior art” are not the subject of additional patents. The determination of whether a variation is obvious is made with reference to the prior art as interpreted by those of ordinary skill in the art. “Prior art” is a term used to identify subject matter which the hypothetical skilled artisan is charged with knowledge of in making the determination of whether the differences between prior art and the claimed invention are obvious. To identify the types of subject matter available as prior art, reference is often made to that subject matter capable of defeating novelty and includes, (even though the term “prior art” is not mentioned in the novelty section of the statute) patents, publications, public knowledge, subject matter used in public, subject matter sold or offered for sale in the U.S., and inventions of others made in secret which have not been abandoned, suppressed or concealed after they were made. The term “prior” of prior art embodies a time dimension which has different meanings depending on the category of prior art but usually is evaluated with reference to the act of invention or the act

of filing a patent application, by the applicant. For example, a U. S patent is effective as prior art as of its filing date, but a foreign patent is typically available for assertion as prior art after it publishes.

Thus, subject matter is assigned a date it becomes effective for purposes of assertion as prior art, e.g., publication date (effective date), and the effective date of the subject matter is then evaluated against the earliest effective filing date of the application. If the effective date of the subject matter is subsequent to the earliest effective filing date of the patent application, it is not prior art.

If the effective date of the subject matter to be cited as art is prior to the earliest effective filing date of the application, it is presumptively prior art. In many instances a US patent applicant is permitted to show its date of invention precedes the subject matter effective date and thereby disqualify it as prior art². However, if the subject matter to be asserted as prior art is in the form of a patent, publication, public use in this country or offer for sale in this country, the applicant can only antedate the art if its effective date is not more than one year prior to earliest effective filing date of the patent application.

² The ability to remove a reference as prior art by showing a date of invention which precedes the prior art date is perhaps unique to the US. Most other countries operate on a first to file basis and the actual date of applicant's invention is irrelevant if the application filing date is after the prior art date.

Thus, for certain types of prior art, a one year grace period measured from the effective date of the prior art, is provided within which the applicants must file their patent application to avoid the prior art effect of the subject matter. Many times these categories of prior art are produced by the applicant and constitute actual embodiments of the claimed invention which can have a devastating impact on the allowability of the claimed invention or the validity of a patent issuing thereon.

An important exception to qualification of subject matter as prior art in an obviousness context is that even if subject matter qualifies as prior art for purposes of defeating novelty under 35 USC Section 102(e) (prior published or filed patent application), 102(f) (the named inventors did not invent the claimed invention), or 102(g) (prior unpublished invention of another), it will not be available to show obviousness where the subject matter to be asserted as art and the claimed invention were, at the time the invention made, owned by the same person or subject to an obligation of assignment to the same person. This is an important exception because it prevents research within the same company by different inventive entities from being used as prior art for purposes of obviousness as of the date it was created (and still secret) rather than after it publishes. The practical effect of this exception is that it permits two different inventive entities working

for the same company, in similar areas of research, to file two different patent applications on the same day and avoid having the earlier invented invention cited as prior art (which would otherwise have a prior art date as of the date of invention) for purposes of the nonobviousness evaluation, against the subsequently invented invention. Companies should consider the impact of possible loss of this exception in structuring joint research and joint venture agreements with other companies.

The procedure for determining non-obviousness involves determining (1) differences between the prior art and the claimed invention, (2) the level of knowledge possessed by the hypothetical person skilled in the art, and (3) whether the identified differences would be obvious to the person skilled in the art. The most common technique for showing that the differences would be nonobvious is to experimentally compare the claimed invention with the closest prior art and show that the results obtained by the claimed invention are unexpected. If the results are unexpected one argues that a person skilled in the art would not be motivated to modify the closest prior art to arrive at the claimed invention because he/she would not expect to obtain any benefit from the modification. In close situations, the applicant will sometimes assemble evidence categorized as secondary considerations, such as commercial success, long felt need to solve a problem without a

solution, disbelief in the industry that the invention would work and the like.

It is important to note that the ability to submit additional evidence of the type described above is not available when the invention is rejected for lack of novelty. In the latter situation, one must show that a single prior art reference fails to show or inherently possess each and every element of the claimed invention. Submission of experimental evidence typically is not permitted except to disprove inherency.

Thus, the typical path to allowance is to narrow the claims only to the extent necessary to avoid lack of novelty, and then attack the Examiner's assertion of obviousness with argument and/or evidence. The best path to allowance is to uncover the best prior art prior to preparing the application and draft the claims initially to avoid having to narrow the claims to avoid anticipation. This is not always possible.

(e) Proper Form and Content

The patent statute embodies the requirements of form and content in 35 USC §112. The purpose of these legal requirements stems from the bargain struck by the government with the inventor, namely, the inventor must describe the invention with sufficient particularity to enable one skilled in the art to make and to use the

invention in return for exclusivity for a fixed period of time. Thus, the public benefits from the disclosure after the patent expires and typically will be free to practice the same at that time, and the inventor benefits from a relatively short period of exclusivity which provides the incentive to make the disclosure in the first place.

Quite often the inventor is reluctant to disclose what he/she believes is the best way to practice the claimed invention. However, this can be a costly mistake because the best mode requirement is specifically designed to require such a disclosure. Failure to comply with this requirement can result in invalidation of the patent after a costly litigation.

The statute requires that the patent application conclude with one or more claims which particularly point and distinctly claim the subject matter which the applicant regards as the invention. If the Examiner believes this requirement is not met, certain claims will be rejected as being vague or indefinite. There is an established body of case law which governs whether the Examiner is correct or not. If the Examiner is correct, the claims will have to be modified to bring them in compliance. Similar considerations apply with respect to other rejections based on the form and content, e.g., lack of enablement (how to make and how to use) written description, and best mode.

The challenge for the patent attorney is to initially draft the patent application so that changes to the claims do not have to be made (or at least are minimal) to meet these requirements. Recent changes to the law have created adverse consequences to changing, by narrowing, claims after a patent application has been filed. In particular, it can limit the applicant's ability to successfully assert that the claims should cover subject matter which is only slightly outside the literal scope of the claims because the accused subject matter constitutes an "equivalent" of the literally claimed subject matter. Infringement assertions of this type are said to be governed by the Doctrine Of Equivalents. Previously, claim changes made in response to rejections for improper form and content would quite often be the result of compromise between the Examiner and the attorney to get the case allowed even if the Examiner's rejection (under §112) may not have been entirely correct. Such changes in the past typically did not have a significant impact on the scope of the claims for purposes of infringement. However, today even minor narrowing claim changes made to comply with form and content requirements can significantly impact the ability of the patent owner to stop an alleged infringer under the Doctrine Of Equivalents. This stems from the fact that the claim element which is the subject of the change may

be strictly construed to be entitled to no range of equivalents, i.e., it is confined to its literal scope.

The ultimate outcome is that it is harder than ever to draft and prosecute a patent application in a manner that the value of the patent issuing thereon is maximized. Moreover, it is likely that appeal of rejections made for this reason will increase because the patent attorney will not be willing to compromise with the Examiner.

(f) Fees

Virtually every paper filed with the U.S. Patent and Trademark Office must be accompanied with a fee. However, the fees paid by a small business as defined at Section 3 of the Small Business Act, are reduced by 50%. To obtain a feel for the global costs of filing a patent application in the U. S. and in various countries around the world, it helps to understand the various mechanisms by which a patent application can be filed in more than one country.

More specifically, there are two basic options for foreign filing a U.S. original filing, namely, (1) file national applications in selected countries directly, or (2) file the application under the Patent Cooperation Treaty (PCT) and then file national applications based on the PCT application in selected countries³. Where one

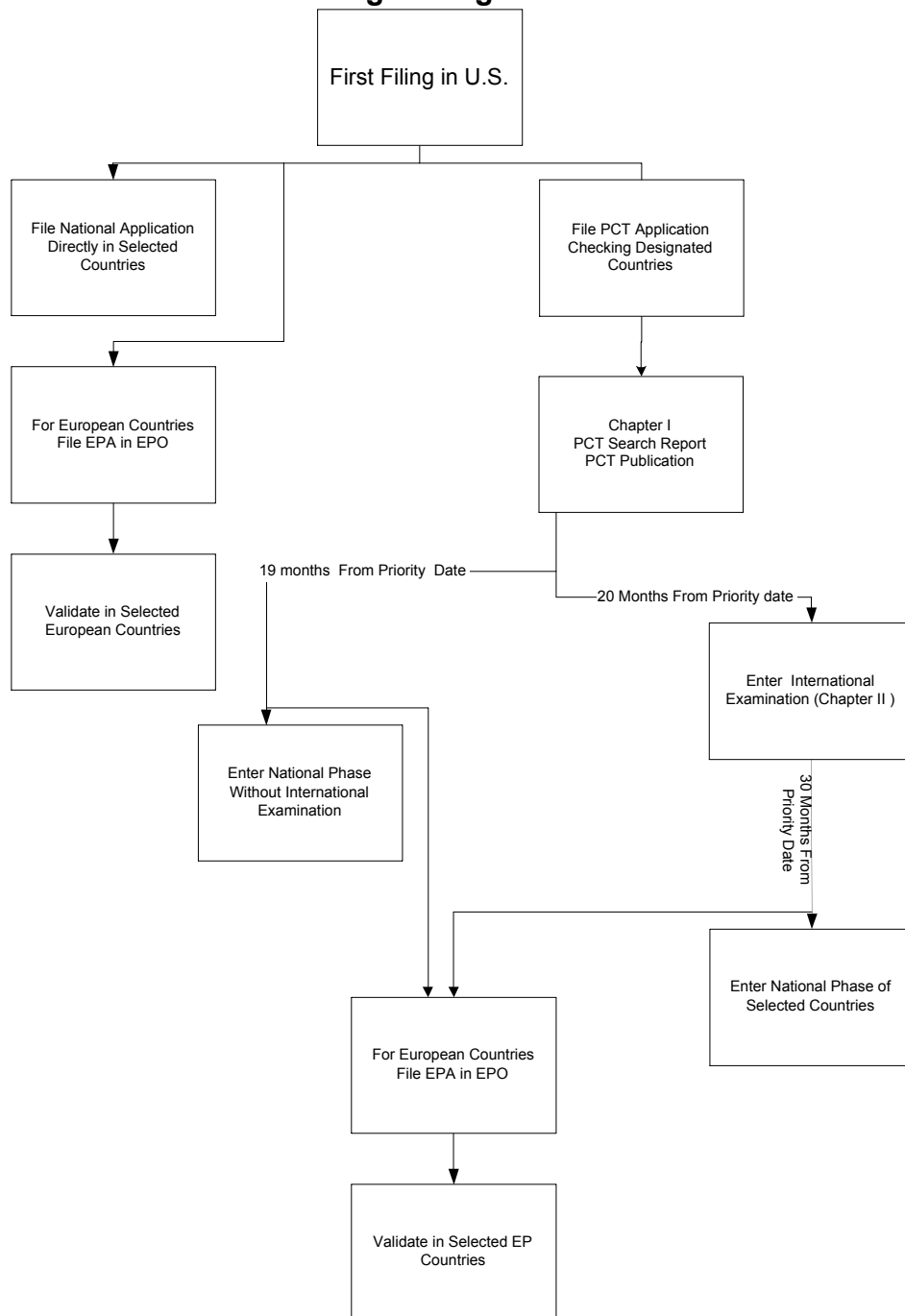
³ The PCT provides a simplified mechanism for filing a single patent application, referred to as an International Application, which permits the International Application to be accorded a priority date

wishes to file in several European countries, the first option can be modified by filing an European Patent Application (EPA) in the European Patent Office (EPO) to undergo a single examination for all the European countries, and then validate an allowed EPA in each European country of choice. A primary goal of any foreign filing is to time the filing, such that one can claim the benefit of the filing date of the first filed application (also known as the "priority date") in the country of origin (e.g., U.S.). This is accomplished for most countries by engaging option 1 and/or 2 within one year of first filing. Note that one can start with a PCT application and designate the U.S. as one of the selected countries.

Table 3 provides a chart which summarizes the various available routes to foreign filing.

that is recognized by all countries which signed the treaty (such countries are referred to as "Contracting States"). The Contracting States include an overwhelming majority of countries with a Patent Office. The PCT cannot, however, grant a patent. Consequently, at some point the PCT application must be filed in each desired Contracting State to obtain a granted patent therein. In one route through the PCT, the applicant can obtain an International Examination and a Written Opinion regarding an examiner's opinion of the allowability of the claims under general patent law principles. This opinion is non-binding on the Patent Office of the Contracting State but is nevertheless considered by such Patent Office.

**Table 3
Foreign Filing Mechanisms**



If one assumes a hypothetical patent application has the following attributes:

Total Pages:	40
Pages of Drawings:	2
Total Claims:	30
Independent Claims:	3

and if one assumes it will be filed via PCT checking all 88 countries (anything above 6 is free) including US, and checking EPO (7 countries) and that an International Examination will be requested, the following Tables 4 and 5 summarize the costs and fees expected to be incurred at both the PCT level and the national stage level for this hypothetical patent application for the enumerated countries. The data for these tables was generated by a software program available from Global IP Estimator (see Web Site List).

Table 4

PCT

	<u>Official/ Associate</u>	<u>Translation</u>	<u>Miscell./ In-House</u>	<u>Total</u>	<u>Annuities</u>	<u>Total Incl Annuities</u>
PCT (International)	\$3,017	\$0	\$1,200	\$4,217	\$0	\$4,217
Report Totals	\$3,017	\$0	\$1,200	\$4,217	\$0	\$4,217

Table 5**National Stage**

	Official/ Associate	Translation	Miscell./ In-House	Total	Annuities	Total Incl Annuities
AU Australia	\$1,853	\$0	\$964	\$2,817	\$6,943	\$9,760
BR Brazil	\$2,327	\$1,600	\$964	\$4,891	\$12,565	\$17,456
CA Canada	\$1,556	\$0	\$964	\$2,520	\$7,469	\$9,989
CN China	\$1,882	\$2,240	\$964	\$5,086	\$14,293	\$19,379
EP European Patent Office	\$8,036	\$644	\$1,464	\$10,144	\$1,250	\$11,394
JP Japan	\$3,495	\$5,289	\$964	\$9,748	\$15,145	\$24,893
US United States of America	\$3,160	\$0	\$0	\$3,160	\$6,000	\$9,160
ZA South Africa	\$857	\$0	\$764	\$1,621	\$4,341	\$5,962
Report Totals	\$23,166	\$9,773	\$7,048	\$39,987	\$68,406	\$107,993

(ii) Application Publication

Recently, the patent statute was changed in an attempt to prevent a patent applicant from keeping a patent application pending in secret in the bowels of the Patent Office until the technology covered thereby was sufficiently commercialized (independently but subsequently invented) by others who were unaware of the same. At such time, the applicant would allow the case to issue and collect royalties from the unsuspecting infringer. Such delayed patent issuances are referred to as "submarine patents." Consequently, any patent application filed after November 29, 2000, will be published 18 months after its filing date. This is not a dramatic change because most other countries publish 18 months from

the priority date which results in a publication at the same time. However, publication can be stopped in the U. S. upon request if the U. S. application will not be foreign filed. This protects the secrecy of the invention if it would not otherwise be published elsewhere. While this exception represents a compromise of the intended goal of preventing submarine patents, such goal is to some extent achieved because patents now expire 20 years from first filing. Thus, any pendency in the Patent Office shortens term. Publication of the U. S. application necessitates payment of a publication fee. The published patent application will be effective as prior art as of its first filing date. For patents based on a published application filed on or after November 29, 2000, which contain claims that are substantially identical to the claims as published, the patent owner will receive provisional rights such that a reasonable royalty can be collected for infringement occurring on or after the date of publication up to issuance of the patent.

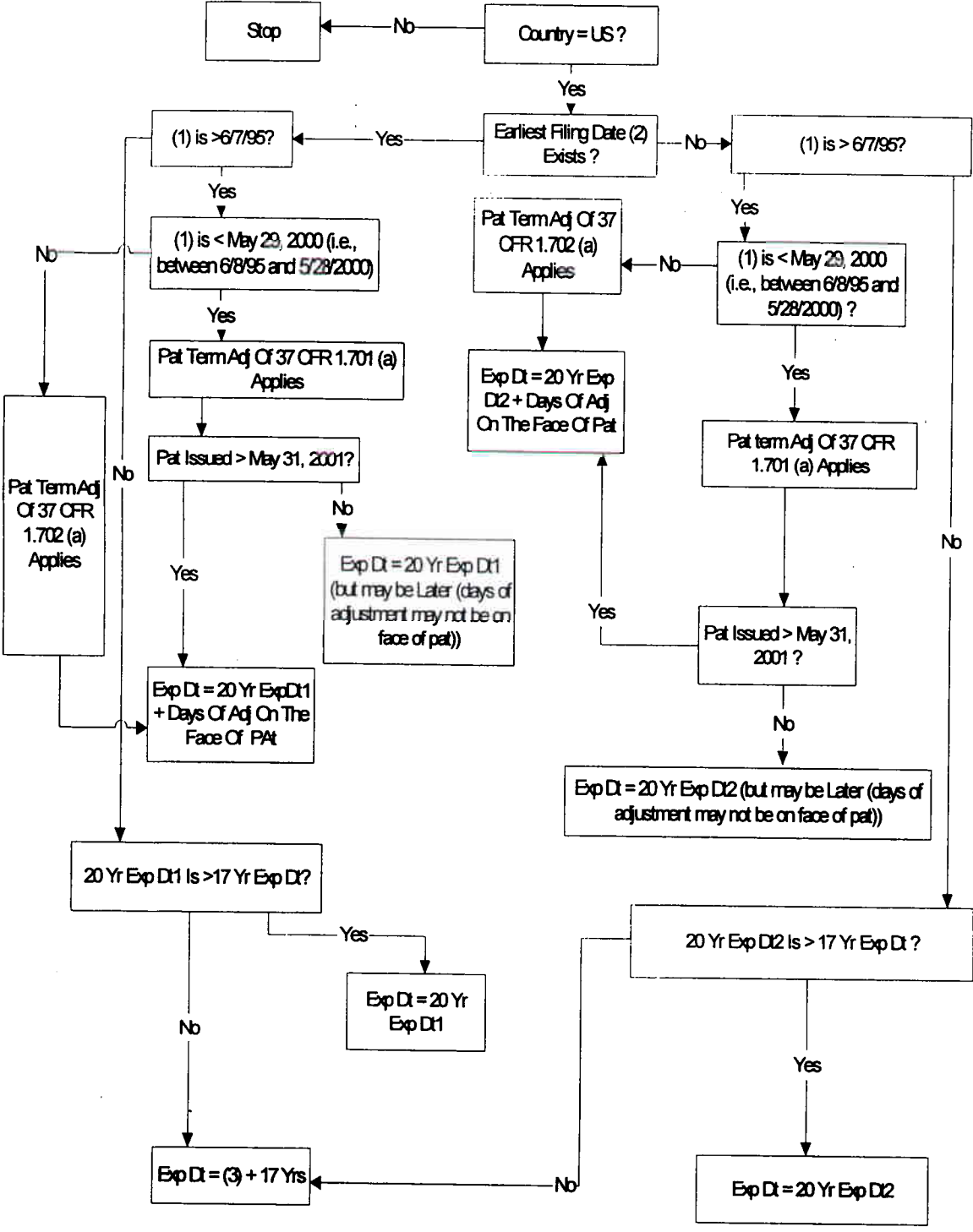
(iii) Term - The Inscrutable Patent Expiration Date Calculation

Before numerous changes to patent statute, it was a simple matter to determine the expiration date of a patent, namely, the expiration date was always 17 years from the date of issuance. Today, the term of a patent can vary depending on (a) when the application was filed, and on whether it claims the benefit of the filing date of earlier filed applications, and (b) on whether it is entitled to an extension adjustment. The current

rules for adjusting, by extending, the term of a patent were developed to compensate the applicant for delays by the Patent Office in conducting the examination process. However, the rules for calculating the extension are horrendously complex. Fortunately, the adjustment in days, if any, is placed on the face of most, but not all, patents subject to the extension. More specifically, for any patent application filed on or after June 8, 1995, and on or before May 29, 2000, but issued before May 31, 2001, one cannot determine the expiration date with certainty without reading through the entire file history to determine whether the patent is entitled to a patent term adjustment and what that adjustment is. This stems from the fact that the Patent Office did not (for some unexplained reason) start putting the term adjustment on the face of the issued patent until after May 31, 2001.

The method for calculating the adjustment also differs depending on when the application was filed. The applicable rules and method for calculating the additional days a patent is entitled to is beyond the scope of this paper. However, if one assumes the days of extension appearing on the face of the patent were correctly calculated, the following chart presents an algorithm whereby the expiration date of any patent can be calculated subject to the exception discussed above.

US Utility Patent Expiration Date Calculation



(1) = Filing Date Of Application which Issued as Patent
 (2) = Earliest Filing Date (Earlier Than (1)) Claimed thru 35 USC 120, 121, or 365 (c) (First Filing Dt)
 (3) = Issue Date

20 Yr Exp D1= (2) + 20 Yrs
 20 Yr Exp D2= (1) + 20 Yrs
 17 Yr Exp Dt = (3) + 17 Yrs

37 CFR 1.701(a) Adjusts Pat Term for Secrecy Order, Interference, or Appellate Review (all adjustments are capped at 5 yrs total)
 37 CFR 1.702 (a) Adjusts Pat Term on day for day extension - day for day delay
 365 (c) = PCT designating US and claiming priority under 35 USC 120

The ridiculously complex expiration date calculation could have been dramatically simplified had Congress chosen to pass a once submitted bill that made the expiration date calculation the longer of 17 years from issuance or 20 years from first filing. This coupled with publication of all patent applications, without exception, would also have, for the most part, also eliminated submarine patents.

(E) Design Patents (35 USC §171)

Design patents are entitled to the same basic exclusionary rights as Utility Patents except the applicable subject matter is restricted to the ornamental design for an article of manufacture.

(i) Legal Requirements

There are six (6) basic legal requirements for obtaining Design Patent protection as follows:

- (1) Patentable subject matter
- (2) Ornamental design
- (3) Originality
- (4) Novelty
- (5) Non-obviousness
- (6) Payment of fees

(a) Subject Matter

The subject matter of a Design Patent is the configuration, shape, and/or surface ornamentation of an article of manufacture.

(b) Ornamental Design

The only aspects of an article of manufacture protected by a Design Patent are its non-functional, ornamental or aesthetic features. If the ornamental feature is required to perform a utilitarian function in the object it is not patentable by a Design Patent. A typical Design Patent contains a drawing of the ornamental design and a simple claim to the design which is shown in the patent.

(c) Originality

The originality requirement simply means that the design was independently created by the inventor (i.e., not copied) and possesses at least some degree of creativity. This standard is similar to the original works of authorship standard applicable to copyrights.

(d) Novelty and Nonobviousness

These standards are essentially the same as those considered in relation to utility patents, except the time period of §102(d) is only six (6) months.

(ii) Term

The term of a Design Patent is 14 years from the date of issuance.

(iii) Fees

The filing fee for a Design Patent application is \$330.00. There are no maintenance fees.

(F) Plant Patents (35 USC §161)

(i) Subject Matter

Plant Patents cover asexually reproduced new varieties of plants including cultivated sports, mutants, hybrids and newly formed seedlings other than tuber propagated plants or plants found in an uncultivated state.

(ii) Legal Requirements

Legal requirements for plants are the same as for Utility Patents, except a Plant Patent cannot be invalidated under 35 USC §112 if the description is as reasonable as possible.

(iii) Term

Term is the same as term for Utility Patents.

(iv) Fees

The filing fee for a Plant Patent application is \$510.00. There are no maintenance fees.

(G) Challenges and Surprises

(i) The Exclusionary Right of Utility Patents (35 USC §271) or Just Because You Have a Patent Doesn't Mean You Can Practice It

As indicated above, a Utility Patent gives the patentee or its assignee, the right to **exclude others** from making, using, selling, offering to sell, or importing into the U.S. the claimed invention. This right is effective even against those who subsequently, independently, invent the same invention.

Probably the most common mistaken assumption about a patent is that it entitles the owner **to practice** the claimed invention. An associated false assumption is that the prior art effect of an issued patent prevents anyone from making an invention within the

scope of the issued claims. To understand why the above two assumptions are incorrect, it is useful to understand the concepts of genus/species and dominance.

Patent claim analysis borrows terms commonly used in biological classification in respect to the relationship between a class or group of related objects having one or more related and common characteristics, i.e., genus, and the members of the class or group, i.e., species. Independent claims rarely describe a single object or structure. Rather such claims typically describe characteristics or sets of characteristics which can be arranged in numerous combinations.

Each complete combination forms what is called an embodiment of the claimed invention, or in the vernacular of genus/species, a species of the invention covered by the genus (independent) claim.

For example, returning to Example 1, assume claim 1 is owned by XYZ-Company and appears in the "XYZ-Patent." If each of Components A, B, and C is described in the specification as being an individual class of materials rather than a discrete substance, they can be illustrated as being made up of hypothetical individual substances as follows:

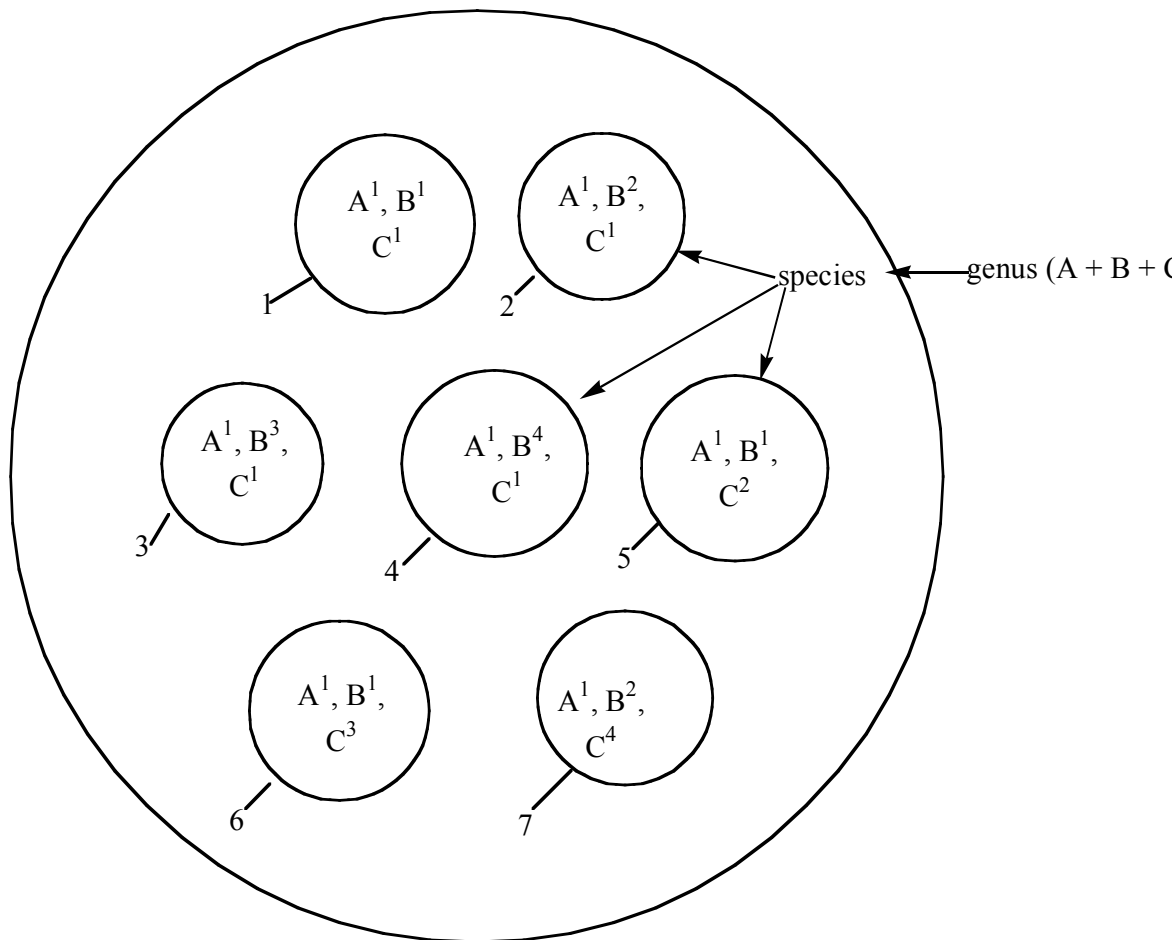
Component A includes substances $A^1, A^2, A^3, A^4 \dots A^{1000}$

Component B includes substances $B^1, B^2, B^3, B^4 \dots B^{1000}$

Component C includes substances $C^1, C^2, C^3, C^4 \dots C^{1000}$

Accordingly, an embodiment or species of Claim 1 would be a mixture of $A^1 + B^1 + C^4$.

The relationship of genus/species can be illustrated pictorially as follows:



As can be seen from the above, many more embodiments or species can be drawn as falling within the genus. Moreover, let's assume that only species 1 to 4 are actually disclosed in the specification. Now let's assume that another earlier issued patent exists, owned by G-Company, which claims, in Claim-G, "a

composition comprising a mixture of Components A + B”, with A and B being described with the same species illustrated for A and B of the XYZ-Patent, i.e., XYZ-Company obtained its patent because adding C was considered novel and unobvious. It can be seen that all species described and claimed in Claim 1 of the XYZ-Patent contain an A Component and a B Component. Claim-G is therefore said to “dominate” Claim 1 and, the making, using or selling of Composition $A^1 + B^2 + C^4$ would infringe Claim G. XYZ-Company therefore could not practice its claimed embodiments without risk of infringing Claim-G and a license would be needed or prior art uncovered which would invalidate Claim-G.

Now lets assume XYZ-Company gets a license from Company-G. Can XYZ-Company assume it is free to practice $A^1 + B^2 + C^4$? The answer is no. If XYZ-Company does an infringement search for $A^1 + B^2 + C^4$, it will discover another patent, Patent-D owned by D-Company, filed and issued more than one year after the XYZ-Patent issued, which covers in Claim-D, $A^1 + B^2 + C^4$. Since the XYZ-Patent is prior art to Patent-D, wouldn't Claim-D be invalid? The answer is not necessarily.

The best way to understand this scenario is to understand the following axiom:

A single species always anticipates the entire genus of which it is a part, but a genus does not necessarily anticipate a species contained by the genus.

It will be recalled that Species 7 ($C^1 + B^2 + C^4$) was not disclosed in the XYZ-Patent. If it was, under the above axiom, Species 7 of the XYZ-Patent would anticipate Genus Claim-D and any other claim that covered $C^1 + B^2 + C^4$. However, since Species 7 was not disclosed, it is possible that D-Company could show during prosecution that $A^1 + B^2 + C^4$ was not anticipated (lacked novelty) and that $A^1 + B^2 + C^4$ produced unexpected results and was, therefore, unobvious over the prior art of the XYZ-Patent. Whether XYZ-Patent anticipates Claim-D is subject to complex case law which is summarized by genus/species guidelines published by the Patent Office. Such guidelines look at the size of the genus actually described in the prior art and the structural closeness of the species to the species described in the patent. Patent-D would, therefore, be considered an improvement patent relative to XYZ-Patent.

The point being illustrated, however, is that patentability and infringement are entirely different concepts and merely having a patent does not and should not lull one into a false sense of security about the right to practice a claimed invention. Before commercializing a new product or process, a separate infringement search, guided by an accurate and detailed description of the invention sought to be commercialized, should be conducted by a

trained searcher. This is true even if a good patentability search was conducted previously. Moreover, the more detailed the description of the product or process to be commercialized, the higher the probability that one will find the relevant patents and draw the correct conclusion regarding infringement. One should not conduct infringement searches based on generic concepts. It is for this reason that infringement searches are typically conducted after the specific product to be commercialized is selected along with its method of manufacture.

(ii) Adjusting to the Patent “On-Sale” Bar Test of the Supreme Court

The on-sale bar of 35 USC §102(b) prohibits the patenting of an invention that has been “on sale” or sold more than one year before the filing of a patent application claiming the invention. In November of 1998, the Supreme Court changed the test for determining when an invention is on sale. *Pfaff v. Wells Electronics, Inc.* 525 US 55, 119 S. Ct 304, 48 USPQ2d, 1641 (1998). The occurrence of an on sale event is important because it starts a one year clock running after which time a patent on the invention will be denied. Therefore, procedures need to be adopted to make sure business people become sensitive to the need to uncover facts which indicate when the clock has started, how to

stop the clock from starting, and how to react to the clock once it starts.

The *Pfaff* on sale test is satisfied when two conditions are met, namely, when:

1. An embodiment of the invention is the subject of a commercial offer for sale; and
2. The invention is ready for patenting.

As will be seen from the following discussion, determining when each prong is satisfied can be much easier for the first than the second.

(a) Ready for Patenting

The *Pfaff* court indicated that the ready for patenting prong of the test can be satisfied:

1. by proof the invention was reduced to practice (built and tested) or
2. by proof that the inventor had prepared drawings or “other descriptions” of the invention having a sufficient particularity to enable one skilled in the art to practice the invention, i.e., enabled under 35 USC §112, second paragraph.

Thus, the Court rejected reduction to practice (a bright line test) as the sole test for determining whether an invention is complete and ready for patenting. It justified this action by defining “invention,” as referred to in §102(b), as meaning a conception that is complete. A reduction to practice is merely one way to show a complete conception.

Moreover, the conception must be of an embodiment containing every element of the claim. *Space Systems/Loral, Inc. v. Lockheed Martin Corp.*, 271 F.3d 1076, 60 USPQ2d 1861 (Fed. Cir. 2001).

A consequence of this standard is that a tangible embodiment of the invention does not have to be built or tested for it to be offered for sale and start the on sale clock. Moreover, while a full set of drawings existed in *Pfaff*, subsequent decisions will have to flesh out what “other descriptions” satisfy this element of the test. Marketing brochures displayed at a trade show, *Helifix Ltd. v. Blok-Lok, Ltd.*, 208 F.3d 1339, 54 USPQ2d 1299 (Fed. Cir. 2000), and oral disclosures to a co-worker of the functional requirements of software in sufficient detail to enable the co-worker to write the code for the claimed method, *Robotic Vision Systems, Inc., v. Engineering, Inc.* 249 F.3d 1307, 1313, 58 USPQ2d 1723, 1727 (Fed. Cir. 2001), are examples of such other descriptions in litigations subsequent to *Pfaff* found to establish ready for patenting.

It should be obvious that any form of evidence such as oral disclosure or documents, including lab notebooks, project reports, trade show displays, marketing brochures, prototypes, computer simulations, and sketches, may be

sufficient to establish the invention was ready for patenting. Moreover, it is not a requirement that the inventor appreciate whether the invention is feasible. *Space Systems/Loral Inc., v., Lockheed Martin Corp.* 271 F.3d 1076, 60 USPQ2d 1861 (Fed. Cir. 2001), only that the invention at the time could have been reduced to practice actually or constructively by filing a patent application. One bizarre case even suggests that an invention can be offered for sale even before it is conceived as long as the eventual conception occurs prior to the critical date. *Scaltech Inc. v. Retec/Tetra LLC* 269 F.3d 1321, 60 USPQ2d 1687 (Fed. Cir. 2001). In short, as a product or process evolves from idea to the market place, it will cross the threshold of "ready for patenting," perhaps silently, and without much fanfare. One can rarely be sure, without investigation and analysis of records, whether or not this threshold has been passed. Consequently, the focus of damage control will be directed at avoiding the first commercial offer for sale or documenting its occurrence so a patent application can be filed within the year.

(b) First Commercial Offer for Sale

The CAFC has rejected as *dicta*, its former remarks in *RCA Corp. v. Data General Corp.*, 284 F2d 1056, 1062, 12

USPQ2d 1449, 1154 (Fed. Cir. 1989) which suggested that commercial activity which does not rise to the level of a formal “offer” under contract law principles could qualify as a “commercial” offer for sale, because it would lead to uncertainty. Consequently, it has adopted a bright line test involving established principles of contract law such as those developed under the Uniform Commercial Code (UCC) and the Restatement (second) of Contracts. Moreover, the question of what constitutes a commercial offer for sale is considered by the CAFC to be a matter of Federal Circuit Law. Consequently, the CAFC will formulate its own federal precedent on this issue. *Linear Technology GroupOne, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 60 USPQ2d 1121 (Fed. Cir. 2001). Because the UCC does not define “offer,” the CAFC has relied on the Restatement (1981) which defines “offer” at §24 to be the manifestation of willingness to enter into a bargain, so made as to justify another person in understanding that his assent to that bargain is invited and will conclude it. Thus, an offer must be communicated to a potential customer and must indicate an intent to be bound. *Linear Technology Corp. v. Micrel Inc.* ___ F.3d ___, 61 USPQ2d 1225 (Fed. Cir. 2001). Guided by these principles, the CAFC has concluded that activities such as internal

solicitation of pricing information from distributors and sales representatives, publication of preliminary data sheets and promotional information constituting preparation for placing an item on sale, communications to its sales force and customers through news letters and sales conferences, even if such communications prompted a request from customers to buy (such acts were considered preliminary negotiations), did not constitute an offer for sale under general principles of contract law. *Id.* Even where a purchase order is received from a customer and the alleged seller records the order in a computer, absent a manifestation of mutual assent, no offer of sale by the alleged seller was construed to have occurred. In this instance, only a “will-advise” acknowledgement was made which the court concluded was an indication that the orders were not accepted.

In *EZ Dock, Inc. v Schafer Systems, Inc. v. Schafer Systems, Inc.* ___ F. 3d ___, 61 USPQ2d 1289 (Fed. Cir. 2002) the CAFC noted that the Supreme Court in *Pfaff* indicated that it would consider experimental use negation when considering whether an invention was “ready for patenting.” However, the experimental use negation was historically applied to a public use bar rather than an on sale bar. While this distinction is often blurred, a concurring

opinion by Judge Linn suggests that the factors considered in the experimental use negation in deciding whether a “use” is commercial versus experimental⁴ are more aptly applied in the on sale evaluation to resolving whether the sale or offer for sale is “commercial” as required in the first prong of the *Pfaff* test. Regardless of which prong of the *Pfaff* test a court deems the experimental use negation applicable to, careful attention should be paid to documenting facts which support the experimental nature of a transaction involving a sale which is really only incidental to experimentation needed to perfect the invention. Thus, even when the invention is ready for patenting, a sale primarily for experimental purposes should not constitute a “commercial” sale. This situation can arise when a trial run of large quantities of a product needs to be conducted by a third party but the cost of the sample is so high that the sample cannot be given away but must be sold, typically at cost. Under these circumstances, one would argue that such a sale is not a “commercial sale” under *Pfaff*.

⁴ Such factors include (1) the necessity for public testing, (2) the amount of control over the experiment retained by the inventor, (3) the nature of the invention, (4) the length of the test period, (5) whether payment was made, (6) whether there was a secrecy obligation, (7) whether records of the experiment were kept, (8) who conducted the experiment, (9) the degree of commercial exploitation during testing, (10) whether the invention reasonably requires evaluation under actual conditions of use, (11) whether testing was systematically performed, (12) whether the inventor continually monitored the invention during testing, and (13) the nature of contacts made with potential

From the above, it should be apparent that interactions between a customer, and inventors of the seller, need to be closely monitored to minimize unintended loss of patent rights. Such interactions should be conducted under written agreement with documentation of the indicia of experimental use. While the safest course of action from this perspective is to file a patent application as soon as possible, individual inventors or small companies may not have the resources to implement this approach. They often need to evaluate the performance of the invention before committing to the expense of a patent filing. In such circumstances, all business people and inventors need to avoid making statements or creating documents that can be construed as offers for sale to potential customers. Any discussions of business terms should make it clear that an offer for sale is not intended until it is. The trap to be avoided is to unconsciously make an offer for sale and not be cognizant of starting the on sale bar clock.

(iii) The First Inventor Defense to Patent Infringement

One day in 1985 an employee of Company-XYZ invents a new process for making an old Product-P. Product-P possesses no

customers (see *Baker Oil Tools, Inc. v. Geo Vann, Inc.*, 828 F.2d 1558, 1564, 4 USPQ2d 1210, 1214 (Fed. Cir. 1987) and *Seal-Flex*, 98 F.3d at 1323, 40 USPQ2d at 1453-54)

residual effects from which the process can be reverse engineered therefrom. Company-XYZ is reluctant to file a patent on the process because such a patent would be difficult to police against suspected infringers. Consequently, Company-XYZ elects to keep the process a trade secret. The new process is adopted commercially and the product made from the process is sold on the open market for a number of years. The process is a great commercial success and substantially reduces the cost of making the product. During a routine competitive analysis search, a patent is found issued to a competitor, Company-A, based on a patent application filed eight years after Company-XYZ began selling Product-P. This patent covers each and every process step for making Product-P being practiced in secret by Company-XYZ. The patent is shown to Jim, manager of the business selling Product-P, who chuckles that Company-XYZ has been doing this for ten years. He isn't very worried because he thinks the patent must either be invalid or Company-XYZ can just file its own patent application on the process. He contacts his patent attorney and learns to his horror about an interesting little quirk in the public use bar of §102(b) of the code. Unlike §102(a) which establishes that a person cannot patent what is already known to others, §102(b) is primarily concerned with the policy that encourages an inventor to enter the patent system promptly while recognizing a one year

period of public knowledge, use, or commercial exploitation before the patent application must be filed. *Woodland Trust v. Flowertra Nursery Inc.*, ___ F.3d ___, 47 USPQ2d 13 63, 1365 (Fed. Cir. 1998). As a consequence, case law has developed to implement this policy such that the commercial exploitation by Company-XYZ of its process by selling Product-P converts the secret use of the process by Company-XYZ to a public use. *D. L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144, 219 USPQ 13, 15 (Fed. Cir. 1983). Company-XYZ therefore is barred from obtaining a patent on the process. The bad news is that the imputed public use of the process conducted in secret does not operate as prior art under §102(b) against Company-A which may now be able to assert its patent against Company-XYZ. *Id* at 219 USPQ 16.

That was the law prior to November 29, 1999. However, after this date, Congress created what is referred to as the First Inventor's Defense embodied in 35 USC§ 273. In the event Company-A sues Company-XYZ for infringement of its method claim, Company-XYZ may qualify for the protection of this defense against such charge of infringement.

More specifically, as indicated at Section I-D, the *State Street Bank* case opened a virgin territory of patentable subject matter (i.e., business methods) previously believed to be unavailable and for which little prior art had found its way into the

Patent Office. There was an outcry from industry that invalid patents were being issued and there was panic in the land about not being able to continue to practice business methods previously conducted for years. The First Inventor's Defense appears to be Congress' reaction to political pressure stemming from this panic.

The legislative history of this statute reveals an attempt to balance policy considerations of patents with trade secrets. Thus, the risk of keeping subject matter a trade secret may have been reduced significantly if one can work within the confines of the restrictions of the First Inventor Defense and one is practicing a "method" under the statute.

To qualify for the new infringement defense against a patented "method" one must establish:

1. commercial use:
 - (a) by the entity asserting the defense
 - (b) in the U. S.
 - (c) prior to the effective filing date of the patent being asserted; provided
2. the method being used by the entity asserting the defense:
 - (a) was reduced to practice (not necessarily in the U.S.)
 - (b) in good faith
 - (c) at least one year prior to the earliest effective filing date of the subject patent.

The sale, in an arms length transaction, of a product made by the method, even if the method is practiced in secret, qualifies as a commercial use of the method. In addition, use of the method by non-profit research labs or non-profit entities such as

universities, research centers or hospitals for the benefit of the public will also qualify as commercial use.

The legislative history suggests that the term “method” should be broadly construed and should cover not only a method of doing business of the type discussed in *State Street Bank*, used to perform a claimed method, but also any method for doing or conducting operations of a business which relies on trade secret protection. Richard Neifeld, *Analysis of the New Patent Laws Enacted November 29, 1995* 82 J. Pat. and Trademark Office Soc’y 181, 196-197 (2000). Moreover, the defense extends not only to the user of the method but also to customers of the product made by the method (§273(b)(2)).

Restrictions on use of the defense include:

1. Not applicable if practiced method was derived from Patentee (§273(b)(3)(B)).
2. In instances when commercial use was abandoned (e.g., discontinued) and then restarted, cannot rely on acts (e.g., reduction to practice) occurring prior to the abandonment to establish the defense (§273(b)(5)).
3. The defense is personal and not transferable except pursuant to good faith transfer of the entire business relating to the use (§273(b)(6)).
4. In instances where business is transferred, the defense is applicable only to sites where the method was commercially used prior to the transfer (§273(b)(7)).
5. The defense is limited to the process actually reduced to practice prior to the critical one year period and commercially used prior to the effective filing date, not to methods embodying changes made within or after the one year period prior to the effective filing date unless such changes are not covered in additional,

specifically claimed subject matter (dependent claims?) §273(b)(3)(C).

The last restriction as worded in the statute is poorly drafted and difficult to understand, and the above represents an interpretation of the cited statute. If changes are made to the method after the critical one year date but prior to the effective filing date and the modified method still infringes the same independent claim as the unmodified method, does the defense apply? Presumably it does unless the modified method also infringes a dependent claim and the unmodified method does not. Why this should make a difference in the outcome is unclear.

The new statute makes it clear, however, that successful assertion of the defense does not imply that the patent is invalid, and in fact, the cases cited above would suggest that secret prior commercial use of a process would not be prior art under §102(b) against a third party. Whether such use would be prior art under 35 USC§102(g) would depend on whether a court construed the act of maintaining the use in secret to be a suppression or concealment of the method even though the product therefrom was sold to the public.

Once case law illuminates what changes to the method are included within the defense and what the full scope of "method" as defined in the statute covers, one will be able to more readily evaluate the risk of keeping subject matter a trade secret. Having

to avoid changes to a method to avoid infringement may pose sufficient constraints on a business that the prior inventor defense will only be practical as a defensive reaction rather than as a strategic goal in and of itself.

II Trademarks

(A) Definition:

A trademark is any word, name, symbol or sound, device or combination of the same used to identify the source of goods and to distinguish the source from its competitors. Service marks are used to distinguish the source of services.

The association of the goods with the reputation of the source endows trademarks with goodwill. Trademarks are typically used for advertising and marketing of the goods.

(B) Legal Requirements

Trademarks in the U. S. are governed by both state and federal law. Ownership of trademark rights are established by use of the mark. Absent federal or state registration, common law protects marks being publicly used. Such common law protection, however, is limited to the specific geographical territory or region in which the mark is actually used. Consequently, incentives for

obtaining a federal or state trademark registration stem from the extension of the trademark rights to an entire state (for a state registration) and the entire country (for a federal registration).

A threshold requirement for a federal registration is use in interstate commerce or in a type of commerce regulated by Congress such as commerce to or from a foreign country. Thus, if a mark is not used or to be used in interstate commerce, the federal trademark statute, known as the Lanham Act, or Title 15 of the U. S. Code, would not apply and one would be limited to state trademark protection of the state in which the use occurs. If the products on which the mark will be placed will be engaged in interstate commerce, a federal registration will be preferred over state registration, although both may be obtained if desired. Accordingly, the following discussion focuses on the legal requirements of a federal trademark registration on the Principle Register, which are as follows:

1. Proper subject matter
2. Priority of use in interstate commerce
3. Affixation of the mark to goods
4. Inherent distinctiveness
5. Lack of confusion with other trademarks
6. Nonfunctionality

7. Fees

(i) Proper Subject Matter

The proper subject matter is embodied in the above definition. Immoral or scandalous subject matter may not be registered nor is a mark registerable if it is a common name for the goods, i.e., it is generic, nor if the mark is protected under federal or state statute such as a flag, coat of arms or other insignia.

(ii) Priority of Use in Interstate Commerce

The use of a mark on particular goods in interstate commerce must precede use of a similar mark in commerce on similar goods. The use must be bona fide and in the ordinary course of trade (not token use). Use in interstate commerce occurs when the mark is affixed to goods which are sold or transported across state lines, or for a service, where the mark is used in advertising for services rendered in more than one state.

Where actual use has not occurred at the time of filing the registration, one can allege an intent to use, supported subsequently by proof of actual use before issuance of the registration.

(iii) Affixation

The mark must be displayed on the goods, tags, or labels affixed to the goods, or their containers so they are observed by the public. It does no good to obtain a trademark and keep it hidden. Proper technical use of a trademark is required in order to maintain a federal registration

(iv) Inherent Distinctiveness

The distinctiveness of a mark refers to its capacity to associate goods with their source through secondary meaning as opposed to associations stemming from the meaning of the mark itself. The spectrum of distinctiveness of a mark can range from arbitrary or fanciful (e.g., Exxon) to suggestive, to descriptive and/or generic. Arbitrary, fanciful, and/or suggestive marks are considered to be inherently distinctive but descriptive marks are not. Generic marks are not registerable and registered marks can be cancelled if they become generic (e.g., aspirin). Merely descriptive marks, while not endowed initially with inherent distinctiveness, can acquire distinctiveness through advertising and long use in the marketplace that creates secondary meaning in the eyes of the consumer associating

the goods and their source. Descriptive marks can be registered on the Supplemental Register until they acquire secondary meaning.

(v) Lack of Confusion with Prior Marks

Marks are judged against prior existing marks as to whether they would create a likelihood of confusion in the marketplace with the earlier mark. The factors considered relevant to this determination include (1) the similarity between the marks, (2) the similarity of the goods or services in the mind of the consumer, (3) the strength of the mark in term of its distinctiveness, (4) the degree of care likely to be exercised by the consumer, (5) the marketing and distribution channels through which the goods are distributed, (6) the nature and extent of any actual confusion between the existing mark and the applicant's mark, and (7) the nature and number of similar marks on similar goods.

The likelihood of confusion standard is somewhat akin to the unobviousness standard in patent law in the sense that the "prior art" is compared to the claimed invention whereas prior marks and their associated goods are compared to the applied for mark, and goods on which they are used. Thus, just as it is important to conduct a prior art

search before preparing and filing a patent application, so too it is important to conduct a trademark search prior to adapting a mark and filing an application thereon. Such searching typically is performed in two stages, a knock-out search and a detailed search. The detailed search is best left to a professional searcher because they break the mark into its components and search the variations of the components. Web pages are sometimes searched as are a wide variety of databases to cover state and even common law marks. The knock-out search can be conducted by anyone to see if the exact mark is available and usually targets the records of the US Patent and Trademark Office.

(iv) Non-Functionality

This requirement is typically an issue with respect to designs such as shapes which can have functional features (protectable by Utility Patents) in combination with design features which are sufficiently distinctive that the design has acquired secondary meaning.

(vii) Fees

The application fee for filing a trademark registration is \$325.00 per class of goods or services. Additional fees

associated with Statements Of Use in intent-to-use applications exist as well.

(C) Term

Trademark protection exists at the common law level as long as the mark is being used. A trademark registration issued or renewed after November 16, 1989, is issued or renewed for a ten (10) year period. In addition, the Lanham Act, Section 8, requires that an affidavit or declaration be filed with the PTO within the sixth year (executed and filed) of registration attesting to continued use in commerce, or excusable non-use, in order to maintain the registration for the full ten (10) years. If a Section 8 affidavit or declaration is not filed, the registration will be cancelled. Recent changes in the Trademark Act, now require the Section 8 Affidavit to be filed also at each 10-year renewal interval along with a Section 9 Renewal.

When applicable, a combined Section 8 and Section 15 affidavit or declaration can be filed together once at the fifth/sixth year interval. A Section 15 affidavit or declaration states that the mark has been in continuous use for a five (5) year period and is still in such use at the time filed. When only some goods have been in continuous use, the statement can be narrowed to apply to such goods by excluding the unused goods. The effect of the

Section 15 affidavit is to make the registration incontestable which is conclusive evidence of the validity of the registered mark and of the registrants exclusive right to use the mark in commerce, 15 USC§1115.

(D) Challenges and Surprises - Intersection of Trademarks and The Internet

The most visible intersection of trademarks and the internet arises from application of trademark law to domain name management.

A domain name is a hierarchical internet address which uniquely identifies the location of one or more computers. Domain names are arranged so that reading from right to left, each part of the name points to a more localized area of the Internet. For example, in the domain name "cacd.uscourts.gov," "gov" is the top-level domain (TLD), reserved for all networks associated with the federal government. The 'uscourts' part specifies a second-level domain, a set of the networks used by the federal courts. The 'cacd' part specifies sub-network or computer used by the United States District Court for the Central District of California. If a user knows or can deduce the domain name associated with a web site, the user can directly access the web site by typing the domain name into a web browser, without having to conduct a time-

consuming search. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 952 (C.D. Cal. 1997). Alternatively, a customer who is unsure about a company's domain name will often guess that the domain name is also the company's name. *Cardservice Int'l v. McGee*, 950 F. Supp., 737, 741 (E.D. Va. 1997). Thus, a domain name mirroring a corporate name may be a valuable corporate asset since it facilitates communication with customers. *MTV Networks, Inc., v. Curry*, 867 F. Supp. 202, 203-03 fn2 (S. D.N.Y.). However, since a given domain name can only be registered to a single entity throughout the world, *Intermatic, Inc. v. Toeppen*, 947 F. Supp. 1227, 1232 (N.D. Ill. 1996), disputes will arise when more than one entity seeks access to the same name anywhere in the world.

Not only has the exclusive quality of a second-level domain name set trademark owners against each other in a struggle to establish a commercial presence on the internet, it has set trademark owners against domain name owners who seek not to use the domain name but to profit from selling them.

In this regard, a cybersquatter is an "entrepreneur" who makes a business of registering numerous (a) generic terms such as, books.com or food.com, for the purpose of later selling them to a business for their value of easy recollection and attracting web surfers, or (b) valuable trademarks of others as domain names and

sells or licenses them to the rightful trademark owners. Those who do the latter may also be referred to as cyber pirates.

Domain names present a special problem under the Lanham Act because they can be used for both a non-trademark technical purpose, to designate a set of computers on the Internet, and for trademark purposes, to identify an Internet user who offers goods or services on the Internet. When a domain name is used only to indicate an address on the Internet, the domain name is not functioning as a trademark. However, when the domain name functions as a trademark it can infringe trademark rights. Domain names do not act as trademarks when they are used merely to identify a business entity. In order to infringe they must be used to identify a source of goods or services.

Moreover, it is important to note that the act of domain name registration typically does not establish commercial use sufficient to support a valid trademark registration.

Trademark/domain name issues are also driven by the trademark owner's obligation to exercise due diligence to police their marks and when a trademark owner becomes aware of a domain name that is identical or confusingly similar to its mark and is being used as a trademark, it must take action to protect the mark.

Trademark/domain name disputes can be viewed as falling into two categories, namely, those involving parties wherein each has a legitimate trademark interest and those where only one party has such an interest.

These disputes can be conducted in a number of different jurisdictional forums using a variety of different legal standards. The battle is conducted on two fronts, namely, (1) acquiring the domain names in the first place and (2) litigating with the registrant (owner) of the domain name to deny its use or have it reassigned. Thus, trademark owners should be prepared to race to a registrar, such as Network Solutions, Inc. (NSI) and register whatever domain name/trademark is considered of particular value. The rules of engagement for top-level domain names (TLD) (except .gov) on this front are primarily managed by ICANN (Internet Corporation for Assigned Names and Numbers), a private, non-profit corporation. In the beginning, ICANN authorized Network Solutions, Inc. as the primary registrar of generic TLD's (gTLD) consisting originally of .com, .net, .edu, and .org. ICANN recently established 7 additional gTLD's, namely, .biz, .info, .name, .pro, .museum, .aero, and .coop., in response to a perceived shortage of domain names. Thus, corporate strategies must be developed to assist in making the determination as to whether and what trademarks need to be

registered in combination with one or more of the numerous TLD's now available.

Today, over 50 registrars exist which are engaged in registering gTLDs. Each registrar accredited by ICANN agrees, as part of the accreditation process, to abide by policies and rules established by ICANN. Unfortunately, not all of the registrars are authorized by ICANN.

The non-ICANN accredited registrars rely on contracts with internet service providers (ISP) which provide portals to the Internet.

When a dispute arises between a trademark owner and a domain name applicant for a TLD managed by an ICANN accredited registrar, it can be arbitrated in the World Intellectual Property Organization (WIPO) domain name dispute system. To win the dispute, the trademark owner must establish:

- (1) that the domain name is identical or confusingly similar to the mark;
- (2) that the domain name registrant has no rights or legitimate interest in the domain name; and
- (3) that the domain name has been registered and has been used in bad faith.

Many disputes are lost by the trademark owner because of a failure to show bad faith.⁵

If the trademark owner makes the proper showing, it can obtain transfer of the domain name to itself. If not, the respondent keeps the domain name.

Even if one is unsuccessful in WIPO Arbitration, several alternatives are available to the trademark owner, namely, (1) litigation in federal courts under the Lanham Act for trademark infringement (15 USC §1114(1)) and/or trademark dilution (15 USC §1125(c)), (2) litigation under the Anticybersquatting Consumer Protection Act (ACPA) 15 USC §1125(d)(1), (3) the WIPO Uniform Dispute Resolution Procedure (UDRP), and (4) private arbitration.

The thrust of a trademark dilution claim is directed to showing a reduction in value of a famous mark attributable to unauthorized use, rather than likelihood of confusion which is the focus of trademark infringement.

The thrust of the ACPA is directed against a party which attempts to register a trademark of another in bad faith with intent to profit from that registration. It is primarily directed against cyber pirates and does not apply to one who has a legitimate claim to the mark. This statute provides for injunction and monetary damages.

⁵ Examples of bad faith include (1) evidence of efforts to extract payments for use of the domain name; (2) evidence of registration as part of an effort to block the owner's use of its mark as a domain name and evidence of a pattern of such conduct; (3) evidence of registration as part of an effort to disrupt the mark owner's business, and (4) evidence that the domain name was used to divert commercial Internet traffic from the mark owner.

Pursuit of one or more of the above remedies alone or in combination can give rise to numerous issues such as:

- How will foreign trademarks effect the grant of domain names relative to the same or confusingly similar trademarks registered in the U.S.?
- How will different standards of trademark infringement applicable to different jurisdictions be reconciled when both parties have a legitimate interest in the domain name and the trademarks?
- Are misspelled versions of trademarks within the cybersquatting remedies of applicable statutes?
- How will U. S. court proceedings be reconciled with foreign arbitration proceedings which have to interpret and choose from diverse legal standards applicable to trademarks as well as domain names in different countries?
- Can the use of trademarks as meta-tags (words not displayed in a web browser but used for key word searches by internet search engines) result in trademark infringement when they are not displayed?

An excellent detailed discussion of all of the above issues can be found in G. Delta and J. Maturra, *Law of the Internet*, Section 5.04 B (2nd ed. 2002)

From the above, it can be seen that the trademark/domain name landscape presents a patchwork quilt of issues and avenues of relief which are global in scope. Moreover, the above discussion only scratches the surface of the issues which can be encountered. Notwithstanding the above, a calming perspective on the confusion induced by these issues is provided in *Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949 (D.C. Cal 1997) at 960 fn 4, and at pages 967-968 as follows:

“It is important to note that impending access to a domain name is not the same thing as impending access to the Internet. Even if the trademark owner cannot establish a ‘vanity’ domain name, the owner remains free to promote the trademark on the Internet by using the trademark in the content of a web site. A web site’s content is not connected to or restricted by the domain name under which it is accessed. In addition, the trademark owner may use the trademarked words as a third-level domain name, or as a second-level domain name in combination with letters that distinguish it from previously registered second-level domain. . . .

If the Internet were a technically ideal system for commercial exploitation, then every trademark owner would be able to have a domain name identical to its trademark. But the parts of the Internet that perform the critical addressing functions still operate on the 1960s and 1970s technologies that were adequate when the Internet’s function was to facilitate academic and military research. Commerce has entered the Internet only recently. In response, the Internet’s existing addressing systems will have to evolve to accommodate conflicts among holders of intellectual property rights, and conflicts between commercial and non-commercial users of the Internet. ‘In the long run, the most appropriate technology to access Web sites and e-mail will be directories that point to the desired Internet address. Directory technology of the necessary scale and complexity is not yet available, but when it is developed it will relieve

much of the pressure on domain names.' No doubt trademark owners would like to make the Internet safe for their intellectual property rights by reordering the allocation of existing domain names so that each trademark owner automatically owned the domain name corresponding to the owner's mark. Creating an exact match between Internet addresses and trademarks will require overcoming the problem of concurrent uses of the same trademark in different classes of goods and geographical area. Various solutions to this problem are being discussed, such as a graphically-based Internet directory that would allow the presentation of a trademark in conjunction with distinguishing logos, new top-level domains for each class of goods, or a new top-level domain for trademarks only. The solution to the current difficulties faced by trademark owners on the Internet lies in this sort of technical innovation, not in attempts to assert trademark rights over legitimate non-trademark uses of this important new means of communication." (Citations omitted)

Thus, in the trademark/domain name arena, companies must adapt to a rapidly changing landscape of technology and legal rights and remedies which span the globe. This challenge will only intensify as the internet connects virtually every nation and society on the planet.

III. Resources

(A) Books

H. Jackson Knight, *Patent Strategy for Researchers and Research Managers* (1996). John Wiley & Sons

Lewis C. Lee and J. Scott Davidson, *Managing Intellectual Property Rights* (1993). Aspen Law and Business

William G. Konold, Bruce Tittel, Donald F. Frey, David S. Stallard, *What Every Engineer Should Know About Patents* (1989) Marcel Dekker, Inc.

List of Websites:

Prepared By Craig K. Leon and Robert Maggio (last update 7/24/02)

Associations:

American Intellectual Property Law Association: www.aipla.org

Intellectual Property Owners Association: www.ipo.org

International Trademark Association: www.inta.org

American Bar Association Section of Intellectual Property Law:
www.abanet.org/intelprop/home.html

Copyright:

Copyright Office: <http://www.lcweb.loc.gov/copyright/>

Corporate Sites:

Consultant <http://www.denniskennedy.com/>. It contains a newsletter on legal technology strategies.

Corporate Intelligence: <http://www.corporateintelligence.com/>, is an IP portal offering gateways to various patent search services – companies all owned by the parent Information Holdings.

Ermst & Young LLP, at <http://www.ey.com/> & **KPMG** at <http://www.kpmg.com/> have commentary and details of the IRS restructuring and Reform Act of 1998.

Maeng Patent (Korean Law Firm): www.maeng.co.kr

McGuire, Woods, Battle and Booth LLP, <http://www.mwbb.com/>, has an evaluated list of links in 36 categories, from antitrust and trade regulation to toxic torts and Y2K, that relate to their practice areas and interest areas of their clients.

PricewaterhouseCoopers, <http://www.pwcglobal.com/>, is good for current business practices.

Directories:

<http://www.martindale.com/>

<http://www.whowhere.com/>

<http://www.people.yahoo.com/>

<http://www.prairielaw.com/>

Domain name registrations:

VeriSign: <http://www.nsi.com/>.

www.register.com.

<http://www.startstorm.com/>
<http://www.domainnamebuyersguide.com/>

Ethics:

<http://www.abanet.org/lpm>
<http://www.legaethics.com/>
<http://www.txethics.org/> contains the full text of the ABA Model Rules and a chart cross referencing those rules to the Texas Rules.

Federal Information:

Court of Appeals for the Federal Circuit: <http://www.fedcir.gov/>
U.S. Senate: <http://www.senate.gov/>
U.S. House of Representatives: <http://www.house.gov/>
White House: <http://www.whitehouse.gov/>.
Code of Federal Regulations: <http://www.access.gpo.gov/nara/cfr/index.html>.
Federal Register: http://www.access.gpo.gov/su_docs/aces140.html.
U.S. Code: <http://law.house.gov/usc.html>.
Testimony Before House Judiciary IP Subcommittee:
www.house.gov/judiciary/4.htm.

Federal Circuit Cases:

[Via Georgetown University](#)

www.ll.georgetown.edu/Fed-Ct/cafed.html
via Emory University
www.law.emory.edu/fedcircuit

Federal Register www.access.gpo.gov/su_docs/aces/aces140.html

Forms:

<http://www.lawca.com/>
<http://www.uslegalforms.com/>

U.S. Federal Tax Forms and Instructions:

www.irs.ustreas.gov/prod/forms_pubs/index.html
PCT Forms: <http://www.wipo.int/pct/en/forms/index.htm>
USPTO Forms: <ftp://ftp.uspto.gov/pub/forms/>

Intellectual Property Information:

ABA Section of Intellectual Property Law:

<http://www.abanet.org/intelprop/home.html>.

AIPLA – American Intellectual Property Law Association: <http://www.aipla.org/>.

IPO – Intellectual Property Owners: <http://www.ipo.org/>.

Intellectual Property: www.lcweb.loc.gov/copyright/circs/circ1.html.
Franklin Pierce IP Mall: <http://www.ipmall.fplc.edu/>
Patent Café: <http://patentcafe.com/>

International Information:

Canadian Trademark Database: <http://www.strategis.ic.gc.ca/>
Canadian Trademark Registration: <http://www.tradename.com/>
Canadian Patent Index: <http://www.library.ubc.ca/>
Canadian Patent Classification Schedules: <http://www.patscan.ubc.ca/>
European Patent Office: <http://www.european-patent-office.org/>

Trilateral Web Sites: <http://www.european-patent-office.org/tws/twsindex.htm>

Legislation:

Technology Legislation: <http://www.techlawjournal.com/>.

Litigation:

1st Circuit Rulebook, MDP bulletin board: <http://www.massbar.org/>
Court Opinions: <http://www.findlaw.com/casecode>.
Federal Circuit Cases via Emory University: <http://www.law.emory.edu/fedcircuit>.

News (Legal):

<http://www.ipmag.com/> Intellectual Property Magazine.
<http://www.lawgirl.com/>
<http://www.lawnewsnetwork.com/>

Patent Searching:

The United States Patent Office: <http://www.uspto.gov/> searches for patents and trademarks, and contains rules and other helpful information.

PCT Materials on the Internet: <http://www.wipo.int/>.

Patent by patent or citation by citation browsing: <http://www.patentminer.com/>

Prior Art and Infringement Searching: <http://www.derwent.co.uk/>

MicroPatent Site: features cross-file searching and a fairly sophisticated search language that includes proximity as well as Boolean capabilities <http://www.micropatent.com/>

Patent & Trademark Offices, Intellectual Property Offices & Links:
<http://www.internetmarken.de/>.

Search Engines:

<http://www.dogpile.com/> This is a general search engine. It includes AltaVista, Excite, GoTo, Infoseek, Lycos, Magellan, The Mining Co., PlanetSearch, Thunderstone, Webcrawler, What-U-Seek, Yahoo.

<http://www.metacrawler.com/> Includes Galaxy, Infoseek, Lycos, Open Text, Webcrawler, Yahoo.
<http://www.metagopher.com/> Infoseek, Yahoo!, Excite, Lycos, AltaVista, Webcrawler, Magellan, Hotbot.
<http://www.findlaw.com/> Free legal search engine.
<http://www.fastsearch.com/>
<http://www.lawcrawler.com/> [Findlaw]
<http://www.delphion.com/> Search engine by IBM for foreign as well as US patents.
Professor's webpage with links to search files.
<http://www.google.com/> :Best search engine on the Internet

Trademark Law:

<http://www.intelproplaw.com/> provides general information on trademark law including forums, legal services directory, publication of related articles and further trademark links.

The Sussmans: <http://www.sussmans.net/>

Tools

Global IP Estimator® software: <http://www.globalip.com/>

Patent Analysis Tool <http://www.wisdomain.com/index.htm>

Microsoft Knowledge Base: <http://support.microsoft.com/default.aspx?scid=fh;en-us;kbinfo>

PCT Applicants Guide: <http://www.wipo.int/pct/guide/en/>

Law Firms

World Wide Web Directory of Patent Law Firms: <http://www.patentlawfirms.com/>

PIPERS Worldwide Listing of Pat and Tm Attorneys/Agents:

<http://www.piperpat.co.nz/resource/world.html>

ACCA Annual Conference: "Intellectual Property Overview & Trade Secrets"

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I. OVERVIEW AND DEFINITIONS

The 9th circuit wrote in 1965: "Restrictions upon the use and disclosure of [information acquired in the course of a terminated employment relationship] . . . interfere with the employee's movement to the job in which he may most effectively use his skills. They inhibit an employee from either setting up his own business or from adding his strength to a competitor of his employer, and thus they diminish competition. Such restrictions impede the dissemination of ideas and skills throughout the industry. The burdens which they impose upon the employee and society increase in proportion to the significance of the employee's accomplishments, and the degree of his specialization."²

Unfortunately, for employers of the twenty-first century, technology and the mobility of employees and company information have increased the speed with which trade secrets and other intellectual property may be shared, disseminated, misappropriated or used by others in a manner that is detrimental to a corporation. Although vendors and customers pose a threat of theft of intellectual property and proprietary material, employees are in a unique position to obtain such materials with a lower risk of detection and increased opportunity to gather large amounts of data.

Trade secret claims and litigation generally have been borne of an ex-employer's claim that a terminated employee is using the ex-employer's valuable trade secrets at a competitor. In an attempt to prevent both disclosure of its software, processes or technology and the potential loss of its competitive advantage, the ex-employer may sue the former employee and/or that employee's current employer to enjoin the disclosure or use of its trade secrets. The employee may become appalled by the possible infringement on his or her right to work, and the current employer dismisses the suit as bitter, anti-competitive litigation. And thus, trade secret jurisprudence has been asked to differentiate between an employee's education, skill, experience and company-sponsored education and the employer's trade secrets and proprietary information.

Key technical personnel may often be the only individuals within a company who are familiar with the trade secrets, patentable inventions and discoveries, and the wealth of know-how and technical information accumulated throughout the years as the business developed.

¹ Vanessa L. Allen is Senior Corporate Counsel at Digex, Incorporated in Beltsville, Maryland. The views expressed in this presentation, however, are those of Ms. Allen and are in no way attributed to Digex or any of its affiliates.

² *Winston Research Corp. v. Minnesota Mining and Manufacturing Co.*, 350 F.2d 134, 137-38 (9th Cir. 1965).

Employers face two primary potential threats when employees resign or are fired:

- Key employees may misappropriate critical information and use or disclose it in a competing business, and
- Key employees may not leave behind a record of what they learned and the company will lose that information

Further, employers are exposed to potential liability when employees use company property or the intellectual

Trade secret protection and causes of action arise from contract law, state law and federal law. Thus, the governing law is determined by the wording of a contract, if any; by the particular state law being asserted; and by any conflicts of law consideration. Federal law regarding trade secret litigation does not preempt state law, and in some cases may provide remedies and causes of action not available under a particular state's laws.

Finally, employers must balance the need to protect information with the privacy and employment rights of the employee.

A. Definitions of Trade Secrets

1. Basic definition (Torts based) – A trade secret is (i) information, (ii) that has value because it is not generally known and (iii) that is maintained in secrecy. “A trade secret may consist of any formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.”³

It has been held that a trade secret does not include “know how” because an employee “upon terminating his employment relationship with his employer, is entitled to take with him ‘the experience, knowledge, memory, and skill, which he gained while there employed.’”⁴

2. Uniform Trade Secrets Act – A trade secret is “information, including a formula, pattern, compilation, 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

³ Restatement of Torts, § 757, comment b (1939).

⁴ Hyman Companies, Inc. v. Brozost, 964 F.Supp. 168, 174 (E.D.Pa. 1997), citing, Van Products Co. v. General Welding & Fabricating Co., 419 Pa. 248 (1965).

proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”⁵

3. The Economic Espionage Act of 1996 – A trade secret is “all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically or in writing if – (A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public.”⁶

The Espionage Act definition mirrors the UTSA but seeks to incorporate intangible trade secrets, which may be stored electronically.

B. Protection of Trade Secret Status

1. The information must not be known by the public
2. The information must have value
3. The secrecy of the information must be protected & kept secret by the owner

C. How Does Misappropriation Occur

1. Through theft of the secret by internal or external parties to your company
2. By improper disclosure by one who knows not to disclose it, or
3. When someone receives a trade secret knowing that it was improperly maintained

D. Problem Issues in Trade Secrets

1. Sufficiently defining trade secrets and protecting them
2. Distinction between employees’ education or skill and employers’ trade secrets

⁵ Uniform Trade Secrets Act [UTSA], 14 U.L.A. § 399 (1985), approved in 1979 (and amended in 1985) by the National Conference of Commissioner’s on Uniform State Laws. A majority of states have adopted the UTSA.

⁶ Title 18 U.S.C. § 1839(3). See generally 18 U.S.C. § 1831-1839.

3. Balancing employment law concerns, business operations and narrowly drawn employment contracts – beware of unequal bargaining power, overly broad restrictive covenants, business operations that cannot be monitored and that are not structured to ensure secrecy
4. Anti-competitive litigation between companies
5. The role of the Internet and its broad distribution capabilities

II. COMPARISON TO INTELLECTUAL PROPERTY ISSUES

<i>INTELLECTUAL PROPERTY TYPE</i>	<i>SUBJECT MATTER</i>	<i>TERM OF PROTECTION</i>	<i>LEGAL ENFORCEMENT</i>	<i>COMMENTS</i>
Trade Secret	Information that has value or potential economic value over others because it is not generally known and that is maintained in secrecy.	Potentially forever, until disclosed	State common law and state statutes, and federal Economic Espionage Act (18 USC 1831)	Requires reasonable measures and diligence to maintain as secret/confidential; Civil and criminal penalties exist for misappropriation
Trademark	A word, name, symbol, device, or other designations, that is distinctive of a person's designation, or a combination of such designations in goods or services and that is used in a manner that identifies those goods or services and distinguishes those goods/services from the goods & services of others	Perpetual if maintained and protected	State statutes; Common law with respect to unregistered marks; The Lanham Act (15 USC 1051 et seq)	Marks can be "abandoned" by the owner
Copyright ⁷	Published and unpublished work, the first fixation of the work is in any tangible medium of expression	75-100 years	Federal Copyright Act (17 USC 301 et seq). {Reference to copyright also mentioned in the U.S. Constitution}	Registration and notice must be part of a valid copyright
Patent	Composition, article, or process that as a whole is novel, no obvious over the prior art, and has utility	20 years from the application filing date, unless filed internationally	Federal Patent Act (35 USC 1 et seq)	Federal grant of limited monopoly, which expires after a limited term; Information then in the public domain

- A. **Copyright:** Under the Copyright Act of 1978 and under the associated copyright rules that have been promulgated by the Copyright Office, it is possible for the author of computer software simultaneously to assert trade secrets in the source code of software, and to assert copyright rights in the

⁷ Copyright Act, 17 U.S.C.A. § 102(a). U.S.C.A means United States Code Annotated.

source code and in executable code. Trade secrets can comprise computer software because the software is distributed to customers or vendors in merely executable code while the programming or internal format of the software is not readily/easily visible to users, which serves to protect the trade secrets in the source code.

- B. **Patents:** Patents, like trademarks, require examination of the patent before registration and protection for such patent will be allowed. Thus, the patent process is somewhat antithetical to the strict requirement of secrecy and safeguarding that is central to trade secret law. A tension exists between trade secrets and patents because one approach to protecting intellectual property is to hold everything as a trade secret rather than to apply for a patent and necessarily reveal a portion of one's trade secret in exchange for the grant of a patent. Patent applications require (1) enough information to enable one skilled in the art to practice the invention and (2) the best mode known to the applicant for practicing/utilizing the invention. Depending on the time sequence of the invention(s), a patent applicant could patent an invention and simultaneously keep secret an improved version of the invention. Further, the U.S. Patent Office keeps patent application secret until such time as a patent issues. At any point prior to payment of the issue fee by the patent applicant, an applicant is allowed to abandon the patent application, in which case the invention (i.e. trade secrets) would remain secret. Note that if a patent has issued, the Patent Office reveals to the public all trade secrets that are contained within the patent, including any information that would enable another who is skilled in the art to practice the invention in the best mode known at the time to practice it.⁸

III. HOW TO SAFEGUARD TRADE SECRETS

A. Creating a Definition

1. To determine whether your company's or client's information is a trade secret, ask:
 - a. Is the information in question known outside of the company?
 - b. Is the information in question known by employees and others involved in the company? Other than on a need-to-know basis?
 - c. What "reasonable measures" is the company taking to safeguard the secrecy of the information?
 - d. How valuable is the information in question to the company and its competitors?

⁸ Practitioners should research the different patent rules of foreign countries. Many foreign countries publish patent applications 18 months from the filing date. Some countries have procedures to allow an applicant to withdraw an application in advance of the 18-month publication date to keep the trade secrets protected.

- e. How expensive was it to develop or compile the information?
 - f. How difficult would it be to acquire the information legally?
 - g. If the information became generally known, what impact would such disclosure have on the company's business/competitive advantage?
 - h. Does the company derive independent economic value, actual or potential, from the information not being generally known to and not readily ascertainable by the public?
2. Trade secrets can include patient lists, customer lists, business plans, financial data, scientific or engineering data, processes, formulas, recipes, marketing strategies, survey methods by professional pollsters, algorithms and non-public product or service data.
 3. Information is trade secret if it is discovered through reverse engineering or independent development.
 4. Trade secret laws do not protect common industry practices or market practices.

B. Once Defined, How Do You **Maintain Its Secrecy**?

** The list below is not a mandatory but rather it is guidance to outline the acceptable ways to protect trade secret information.*

1. Use reasonable measures, both with employees and internal to the company, because courts will examine how reasonable your steps to maintain a trade secrecy were.
2. Require all vendors, licensees and customers to sign confidentiality agreements; Inform new employees of confidentiality requirements, and Remind departing employees of their continuing confidentiality obligations. Courts have routinely confirmed that the use of nondisclosure agreements is the most important way to maintain the secrecy of confidential information.
3. Clearly mark information and documents that your company regards as confidential, proprietary or secrecy.
4. Periodically notify employees, both orally and in writing, that specifically identified information is confidential and should not be disclosed if the employees happen to encounter such information. Senior management should institute controls to manage secret or confidential documents and information. Train all employees on the value of trade secrets to your company.

5. Management should control access to and dissemination of trade secrets and confidential materials should be limited to those employees with a legitimate need to know. Use photo identification/badges for employees.
6. Use secured areas within the company facility to store trade secret information.
7. Separate research and development areas from production facilities of products.
8. Limit access into computer systems to those with passwords and login Ids.
9. Limit access into the files of departments that store confidential information, such as human resources, marketing, finance and legal.
10. Establish physical security and internal policing policies, such as security guards, sign-in and escort requirements for visitors to the facility, surveillance cameras, safes and locked doors.
11. Review information intended for disclosure and presentation at trade shows, publications, industry conferences.
12. Limit visitor access to certain areas of the facility and conduct supervised tours/visits.

C. Once Defined, How Do You **Lose Its Secrecy?**

1. Fail to take reasonable measures to protect the secrecy or confidentiality of the information, as indicated in Section III. B. and consequently, the trade secret data is revealed
2. Theft, Misappropriation or unauthorized disclosure by a party who obtains the trade secret.
Examples: Former employee, Mr. Jones, discloses trade secrets to his new employer regarding information obtained at previous employer
Consultant executes a nondisclosure agreement so that he may help your company develop a new product. Consultant then discloses trade secrets to a subsequent client and/or competitor to you or your client.
Ace hacks her way into a company computer system and downloads or copies the trade secret data for a new engineering prototype and then sells the information to a third party who is in competition with you or your client.
3. Disclose it to a third party without any confidentiality agreements in place
4. The subject matter of the trade secret is subject to reverse engineering

5. The subject matter of the trade secret is independently developed by a third party
6. Patent it, since part of the patent process is to disclose that which make the trade secret valuable
7. The surge in the number of business method patents challenges attorneys who are advising clients and business people who are evaluating the benefit of patenting versus retaining trade secret protection. A notable advantage to obtaining a patent and to revealing a trade secret is that a patent infringer cannot use the defense that the method or process it created was independently developed. Trade secrets serve primarily as a defensive weapon while patents may be used in an offensive or a defensive manner by the patent holder. A patent holder may seek injunctive relief for infringement for a minimum of 20 years beginning on the first effective date of the patent filing. Further, the patent holder may engage in licensing or royalty agreements with third parties and further profit from its invention.

The Federal Circuit has indicated that it favors a later inventor who promptly filed a patent application over an earlier inventor who does not disclose the invention to the public.⁹ Additionally, the Federal Circuit has held that technology, which was commercialized but lacking in an issued patent or a patent filing, was not abandoned or concealed because the public was receiving the benefit of the technology.¹⁰ To date, it is unclear what approaches will become dominant regarding trade secret business methods patents.

Finally, one must investigate fully the international implications of the filing of a patent before relinquishing the data of method or process that is being protected by trade secret law. Other countries have failed to adopt the patenting of business methods; therefore, infringement and misappropriation of a trade secret becomes easier abroad. Detection, identification, investigation and prosecution of a trade secret and/or patent infringement claim would be expensive, uncertain and challenging. So, one should not rashly reveal trade secrets without thorough legal and cost-benefit analyses.

D. What **Rights** Does the Trade Secret Owner Have?

1. A trade secret owner can prevent certain groups from copying, distributing or using trade secrets without the owner's permission if it involves people who:

⁹ See *W.L. Gore & Associates Inc. v. Garlock, Inc.*

¹⁰ See *Checkpoint Systems Inc. v. ITC.*

- a. are bound by a implied duty of confidentiality not to disclose or use trade secrets, including employees who have access to an employer's trade secrets
 - b. improperly acquire a trade secret through theft or corporate espionage
 - c. knowingly receive trade secrets from a party who has no right to disclose the trade secrets
 - d. receive trade secrets but had reason to know that the receipt was a mistake or accident and was protected by trade secret law (such as inadvertent disclosure during discovery)
 - e. execute non-disclosure agreements restricting the use of the trade secrets and requiring consent from another party to disclose the trade secrets
2. An owner cannot, however, stop a party who independently discover the trade secret without breaching any agreements or using an illegal or unauthorized means. If Secret Soda consists of a trade secret protected recipe, but Vallen Scientist analysis the contents and composition of the beverage and recreates the formula, then Vallen can use the formula and related information legally to make and sell her own version of Secret Soda.
3. A trade secret owner can enforce rights against someone who steals confidential information by obtaining an injunction to prevent further disclosure. Additionally, the trade secret owner can collect damages for any economic injury suffered as a result of misappropriation or misuse of its valuable trade secret data. Every state has enacted a law prohibiting theft or disclosure of trade secrets, most of which are derived from the Uniform Trade Secrets Act (UTSA). The trade secret owner, however, must prove that the information was confidential, valuable and improperly disclosed or acquired.
4. The "Inevitable Disclosure" Doctrine
- a. The doctrine that a former employer may seek court protection to prevent a former employee from working for a competitor if the former employer can demonstrate that such employment would lead inevitably to the disclosure of its trade secrets.
 - b. Note that some states have rejected the Inevitable Disclosure Doctrine because it restricts an employee's mobility and basic freedom to seek employment. Check your state's case law to see if the court has imposed a requirement for the former employer to show bad faith, underhanded dealing, or a competitor who lacks comparable technology/knowledge.
 - c. PepsiCo., Inc. v. Redmond, 54 F.3d 1262 (7th Cir. 1995) is the leading case on the Inevitable Disclosure Doctrine. Pepsi successfully argued the Inevitable Disclosure Doctrine after a former executive accepted a position at a competitor to work on similar products. Pepsi argued that the executive, Redmond, could not help but rely on the trade secrets of Pepsi to fulfill the obligations of his new position and thus, he would

inevitable reveal or disclose Pepsi's trade secrets. If he revealed such trade secrets, then Pepsi's competitor, Gatorade/Snapple would have an unfair advantage.

- d. Unlike most states, California is pro-employee by prohibiting the enforcement of non-compete agreements and/or the Inevitable Disclosure Doctrine except in limited circumstances.

5.

IV. CAN YOU GET A TRADE SECRET BACK ONCE IT IS DISCLOSED

Generally, trade secrets cannot be recaptured once trade secrets have been exposed to the public.¹¹ The court's analysis regarding why trade secret status is lost was in part that the information was distributed to Internet news group subscribers for ten days where they resided for potentially millions of Internet users to view. According to the Eighth Circuit, posting information in such a manner makes it "generally known" at least to the people who would be interested in the news group and the information.¹² "Once a trade secret is posted on the Internet, it is effectively part of the public domain, impossible to retrieve."¹³ Some courts have created a more relaxed rule, which holds that once trade secrets have in the public domain for an extensive period of time, the disclosed information cannot be deemed trade secrets.¹⁴

However, the Eighth Circuit in the Religious Technology Center v. Netcom On-Line Communications Services, Inc. did decline to hold that trade secret status was lost for documents made available in open court records, because there was no evidence that the trade secret information had become generally known to the public. The court reasoned that it would be unfair to deny trade secret status to documents that were otherwise protectable UNLESS the owner through publishing or posting had made those documents available to the public.

Thus, it may be possible to retain or recover trade secret status for information that is made available to the public under limited circumstances. Trade secret owners should take measures similar to those to retrieve privileged or work product documents inadvertently produced during discovery/litigation. Trade secret owners should contact immediately all possible recipients of confidential information about the proprietary nature of the information. Then, the trade secret owner should request the immediate return and protection of all copies of confidential information. It is critical for a trade secret owner to show intent to maintain the secrecy of trade secrets.

¹¹ In re Remington Arms Co., 952 F.2d 1029, 1033 (8th Cir. 1991).

¹² Religious Technology Center v. Netcom On-Line Communication Services, Inc., 907 F.Supp. 1361 (N.D. Cal 1995).

¹³ Id.

¹⁴ Religious Technology Center v. Lerma, et al., 908 F.Supp. 1362 (1995), citing Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 484 (1974).

Technology Impact

With the proliferation in the use in the Internet, Intranet and Extranets, companies should take special precaution to protect their trade secrets. Companies should consider the security issues, including the interception or decoding of confidential information, and dissemination issues, which could make information “generally known to the public” and thus not protected by trade secret law.¹⁵

Many of the technologies (listed below) provide efficiency and expediency to business operations and transactions. They can, however, expose your trade secrets to the risk of discovery. Reasonable steps must be taken to control intentional and inadvertent dissemination of confidential information.

1. Employees - Internet/ E-mail policies may help to instruct employees about the nature and value of trade secrets, and thus, the importance of not disclosing those secrets. Many companies have password protected, secure Intranets in addition to limiting the types of information that are available on their public and/or internal web sites. Information should be limited to the same “need to know basis” that is required to protect intellectual property and/or trade secrets.
2. Vendors and Joint Venture Partners
 - Obtain Non Disclosure Agreements
 - Ensure Limited access and use
 - Designate clear ownership rights if any information is shared between the parties & outline penalties for breach of mutual confidentiality obligations
3. Security and encryption tools – There are various software and hardware products which provide secure connections, encryption of data, password protection, and secure electronic mail transmissions to further protect trade secret information that needs to be transmitted via electronic means. User codes, digital watermarks and digital signatures may be used to confirm the accuracy of the information received and to patrol the use/access of information by employees.
User names and passwords should be changed routinely. Companies should develop a 24-hour period for removing a terminated employee's computer user name, password, and E-mail/intranet access. In-house

¹⁵ See Religious Technology Center v. Lerma, 897 F. Supp. 260 (E.D. Va. 1995) (court stated that the works at issue had entered the public domain and were on the Internet and that, therefore, the plaintiffs had not established that the works were not generally known for purposes of state trade secrets statutes). See also, Religious Technology Center v. F.A.C.T.NET, Inc., 901 F. Supp. 1519, 1526-27 (D. Col. 1995) (despite “elaborate” and “ardent” measures to maintain secrecy of works by the plaintiff, the works entered the public domain by numerous means, including through publications and the Internet, and therefore, were not secret within the meaning of trade secrets statute).

managers should periodically monitor who has accessed the email and Intranet systems to detect any (1) irregularities, (2) potential breach or disclosure of confidential information, and (3) non-compliance by employees of the existing Internet and E-Mail policies.

Disclaimers and warnings can be useful to remind any user logging onto a computer that such user must be authorized to do so and recognizes that the information contained on the computer is confidential and proprietary to your company. Further, user warnings should remind employees and other users that unauthorized access to confidential information and unauthorized disclosure and transmission of confidential information is punishable by termination of employment, civil penalties and criminal penalties.

4. Tools of Teleworking/Telecommuting – For any of these tools, reasonable measures must be taken to ensure the protection of information when employees are accessing databases and computer information remotely from the office. Below are types of teleworking tools and concerns that your company or client should consider.
 - a. Telephone Services – Speakerphones and the frequent ability for conversations to be overheard; Three-way calling to conduct teleconferences without a secure line or a bridge line; Cellular phones return and receive information expeditiously but calls can be intercepted
 - b. Computers – The ability to place confidential information on employee laptops to be transported to their homes or to third party sites.
 - c. Remote-Access Software – two different approaches
 - 1) Remote control allows you dial up your personal computer directly at the office and operate it remotely as if you were actually in the office. Although you must remain on a phone line, you do not have to duplicate files on your home computer.
 - 2) File Transfer allows you to access documents stored on your office computers and downloads them to a computer at home/other location in order to edit documents using duplicates of the relevant programs. Simply upload (i.e. transfer back) completed documents to your office computer without using a modem or accumulating phone charges.
5. Tools of Interaction – Communicating with other companies/firms
 - a. There are several legal software packages (e.g. Chief Legal Officer, Corprasoft Legal Desktop, PPTP) that can be used by corporations located in multiple national or international sites that want to track all

matters and all outside counsel from anywhere in the world. This tracking ability is possible with the use of Microsoft's Internet Explorer 4.0 Web browser. Some products manage various matters such as patents, trademark applications, EEOC claims, licenses and contracts. The products seem to facilitate state-of-the art case management techniques designed to achieve quality results with maximum efficiency and cost-effectiveness, but could pose serious threats to maintaining the confidentiality of information.

- b. You should give special security and risk management analysis for software applications that enable outside counsel or third parties to access the in-house departments' database by way of the Internet.

V. EMPLOYEE AND LABOR LAW ISSUES

A. **Restrictive covenants and Non-Compete provisions** may restrict a party's right to work for a competitor and/or to work within a specific geographical region of the former employer. Trade secrets, however, may not be adequately protected if you simply limit a party's choices regarding geographical or employment options. Although an employee may be allowed to work for a competitor and use his general knowledge of the industry, courts may still grant protection to the former employer's trade secrets, including business plans and financial data. Further, attorneys who may acquire trade secrets from a former client or employer should be especially sensitive to their duty to uphold the attorney-client privilege and the interplay with trade secret law.¹⁶

B. **Hiring New Employees-** Check to see if new employees were subject to Confidentiality agreements at the previous employer; Inform them of your company trade secret policy; Have them sign a confidentiality agreement, including an assignment clause

1. Employment Agreement Contents

- ◆ Prohibit the use and disclosure of proprietary information during and after employment for a limited period of time
- ◆ Assign to the company all inventions developed by the employee that can be legally assigned, and require the employee to identify all inventions not subject to the agreement
- ◆ Prohibit solicitation of employees or customers during and for a specific period after employment
- ◆ Prohibit an employee from engaging in competitive employment during employment without permission
- ◆ Contain employment at-will language

¹⁶ See *The Hyman Companies, Inc. v. Brozost*, 964 F. Supp. 168 (E.D. Pa. 1997) (holding, inter alia, that the attorney-client relationship provided the necessary confidentiality to establish trade secret protection, even for information that may be in the public's knowledge).

- ◆ Require the employee to inform the company fully about any inventions, discoveries, trade secrets, or business opportunities relating to the company's work, and to promptly create and deliver a written record of all such information
 - ◆ Contain a provision obligating the employee to return all trade secrets and confidential information in the employee's possession, including the originals and copies of documents and computer media, to the employer upon departure
2. Execution Employment Agreements - The employment agreements should be executed before or when the new employee starts work. If a new employee did not sign an employment agreement or the company did not have a policy requiring employment agreement or a new company form is adopted, then the company:
 - a. should give some form of consideration (e.g. salary increase or promotion), or
 - b. make execution of the agreement voluntary but be willing to negotiate modification to the agreement
 3. Company does not have to uniform or identical agreements for all technical employees. They may be tailored to specific job responsibilities.
- C. **Firing** Employees – exit or separation written notice to remind of trade secret obligations, exit interview and requests for all corporate and confidential materials, checklist
- D. **Foreign National Employees** - HB-1 visas allow foreign national with specialty skills to work in the US for 3-year renewal period but may include hostile countries. However, the disclosure of trade secrets to such employees may pose economic as well as regulatory risks to you.
1. Export – Some data that is provided to foreign nationals for work on sensitive, confidential and/or highly competitive information could be deemed an “export” by the government. Disclosure of technical data to foreign national can be considered an export regardless of where the disclosure is made. Government approval may be required by the Office of Defense Trade Controls (ODTC) or the Bureau of Export Administration (BXA)
 2. Penalties – The ODTC may impose severe penalties for employers who disclose, or allowed to be revealed, certain defense or sensitive data. Penalties include criminal fines up to \$1 million, up to 10 years imprisonment, civil fines up to \$500,00, and individual and corporate liability.
 3. Penalties – The BXA may impose criminal fines the greater of up to \$1 million, or 5 times the value of the export; up to 10 years imprisonment; civil fines up to \$100,00; and/or individual and corporate liability

4. Employers should review all technical data prior to sharing it with foreign national employees. A nondisclosure agreement is advisable but it is possible that an export of data could still occur if the employer shares information with a foreign national who later returns home. Your client must determine if access to the data requires ODTC or BXA approval and then obtain approval if necessary before providing access.
5. See 22 CFR §120-130 and 15 CFR §730-774.
6. Have the employees execute confidentiality agreements.

VI. ENFORCEMENT OF TRADE SECRETS

- A. Enjoin disclosure of trade secrets; Injunctive Relief
- B. Enforcement of other non-compete provisions, as long as reasonable
- C. Common law “duty of loyalty” and contract principles
- D. Litigation vs. Arbitration and Mediation
- E. Civil liability (Torts such as conversion, trespass, breach of contract, business interference) and the cost of the information vs. the cost of pursuing legal recourse to protect the information
- F. Criminal liability, which can include several thousand dollars in fines as well as imprisonment, particularly if the defendant sought and/or derived financial benefit
 - 1) State specific criminal provisions to supplement federal law
 - 2) Economic Espionage Act of 1996 (“EEA,” Title 18, U.S. Code) – specifically targeted to trade secret theft; punishes the intentional stealing, copying or receiving of trade secrets “related to or included in a product that is produced for or placed in interstate commerce.”(18 U.S.C. 1832)
EEA applies to thefts that occur within and outside of the United States if the thief is a U.S. citizen or corporation, or if any act in furtherance of the

offense occurred in the U.S. Cases are enforced by the United States Attorneys' offices.

Penalties include individual fines of up to \$500,000 and corporate fines of up to \$5 million. Prison terms are up to 10 years, and if the theft is performed on behalf of a foreign government or agent, the corporate fines can be double and the jail time that may be imposed is up to 15 years.

Any property used in, and the proceeds received from, the trade secret theft can be seized and sold by the U. S. government.

- 3) National Stolen Property Act (Title 18, U.S. Code) – applicability to trade secrets
- 4) Mail Fraud and Wire Fraud statutes (18 U.S.C. § 1341 and 1343 respectively)
- 5) Racketeer Influenced and Corrupt Organization Act (“RICO,” Title 18, U.S. Code) – racketeering activity includes trafficking in counterfeit copies of computer programs, computer program documentation and trafficking in goods bearing counterfeit marks.
- 6) The Trademark Counterfeiting Act of 1984 (Title 18, U.S. Code) – increased the sanction for counterfeiting certain registered trademarks to include criminal penalties in addition to civil remedies available under the Trademark Act of 1946 (“Lanham Act”).
- 7) Copyright Act of 1976: Criminal Provisions (Title 17, U.S. Code) - defines the criminal infringement of a copyright. One may be subject to criminal penalties if one **willfully** infringes a valid copyright either (a) for purposes of commercial advantage or private financial gain or (b) by the

reproduction or distribution, including by electronic means, during any 180-day period, of one or more copies or phonorecords of more or copyrighted works, which have a total retail value of more than \$1,000.

Other criminal activities include the fraudulent use of a copyright notice, the fraudulent removal of a copyright notice, and the false representation in connection with a copyright application.

- 8) Federal patent statute (Title 35, U.S. Code) – criminalizes false marking, altering, forging, granting of a letters patent and for uttering or publishing a letters patent as genuine when it is not; violating an invention secrecy order; and premature filing of a foreign patent. Willful or deceitful intent of the defendant is required.

G. Remedies

- 1) Monetary damages, including plaintiff’s damages, defendant’s profits or royalties, statutory damages, punitive damages, attorneys’ fees and costs.
- 2) Maintenance or restoration of public reputation
- 3) Deterrent for other potential infringers or thieves

H. Every state has enacted a law prohibiting theft or disclosure of trade secrets. Most state laws are based upon the Uniform Trade Secrets Act (UTSA), which is a model law that states have adapted prior to adoption. Damages are set forth in the statutory language.

Civil Remedies
Court-issued injunctions for actual or threatened misappropriation Monetary damages for the actual loss caused by the misappropriation Royalty rights in a competitor’s product, given to the company from whom the trade secrets were taken Attorneys’ fees and punitive damages of up to twice the amount of the underlying award for willful or malicious conduct Enjoining an ex-employee from working for a competitor entirely under certain circumstances Enforcement of company’s restrictive covenant and non-compete agreements

VII. CONCLUSION

- A. Protect your company's (or your client's company's) trade secret and confidential information – “Reasonable measures” standard
- B. Foster an environment in which employees will want to stay and to participate in the long-term growth and success of its company.
- C. Enforce employment agreements, confidentiality agreements or other restrictive covenants. Seek remedies, either criminal or civil, to ensure that essential trade secrets are not disseminated.
- D. Establish good hiring and firing policies and practices related to trade secrets and confidentiality requirements of employees.
- E. Monitor state and federal laws not only to maximize your company's or your client's protections and remedies but also to ensure that (1) its trade secrets definition is not overbroad and (3) its trade secrets security and protection policies are sufficiently reasonable.

VIII. TRENDS

- Terrorism and/ or theft by foreign governments
- Government Disclosures and other requests for information – FOIA
 - The Freedom of Information Act requires that the U.S. government tender information which it holds, that is not classified, to any party (even corporations) that make a statutory request. This requirement poses a risk to any company who has disclosed trade secrets to the government (for example, during a bid process). Corporations have been able to gain information about competitors and other companies and to date many FOIA requests are sent by attorneys on behalf of their clients. Beware!
- Trade Agreements and Global Competition – e.g. NAFTA, GATT
 - Use contractual means to protect your trade secrets
 - NAFTA, signed in 1992, largely follows the theories of trade secret law. Under NAFTA, a trade secret is commercially valuable information, which is not publicly known and the owner of which takes reasonable steps to maintain the secrecy of the data. NAFTA members (currently the U.S., Mexico and Canada) are responsible for protecting trade secrets and to obstruct the unauthorized use and acquisition of trade secrets.
 - GATT – Most industrialized countries are signatories to GATT, which spawned the creation of the World Trade Organization. WTO has an administrative process for resolving trade secret disputes in addition to a process known as “TRIPS”, Trade-Related Aspects of Intellectual Property Rights.
 - WIPO, World Intellectual Property Organization

- The Economics of Trade Secrets
 - Issues related to valuation of the trade secret, return-on-investment, economic theories including prospect and reward theories

IX. RESOURCES & SAMPLE LANGUAGE

Resources:

Trade Secrets: A Practitioner's Guide, Henry H. Perritt, Jr., Practising Law Institute, 2002

The Trade Secret Handbook: Protecting Your Franchise System's Competitive Advantage, Michael J. Lockerby, ed. American Bar Association (2000)

Trade Secrets Protection and Exploitation, Jerry Cohen and Alan S. Gutterman, The Bureau of National Affairs, Inc. (1998)

Trade Secrets: A Guide to Protecting Proprietary Business Information, James H. A. Pooley, AMACOM (1987)

The World Intellectual Property Organization, www.wipo.org

The Trade Secrets Home Page, www.execpc.com/~mhalign

Nolo – Law for all, <http://www.nolo.com/lawcenter/ency/index.cfm>

UTSA, <http://nsi.org/Library/Espionage/usta.htm>

LawGuru.com, <http://www.lawguru.com/faq/19.html>

Sample Language:

“All obligations created by this Agreement with respect to Confidential Information that do not constitute a trade secret under applicable law shall survive change or termination of the parties' business relationship for a period not to exceed three (3) years from the later of the date first above written or termination of the parties' business relationship. All obligations creation by this Agreement with respect to Confidential Information that does constitute a trade secret under applicable law shall survive change or termination of the parties' business relationship and this Agreement for so long as such information remains a trade secret under applicable law.”

Beware of residual knowledge clauses that allow the Recipient use to use confidential information in a manner that could be competitive by using the “knowledge” that resides in the a person's memory rather than in the documents shared between the parties.

Example: This Agreement is not intended to prevent Receipt from using Residual Knowledge; provided, however, that no license to any of the Disclosing Party's

patents, copyrights or mask works is granted under this Agreement. As used in this Agreement, "Residual Knowledge" means ideas, concepts, know-how or techniques that are related to the Disclosing Party's Confidential Information and which are retained in the memory of an Agent of Recipient, without deliberate memorization (for the purpose of subsequent use or disclosure) and without reference to Confidential Information in written, electronic or other fixed form.

Sample NDA:

This Agreement, made as of the date of the later signature below (the "Effective Date"), by and between _____, having a place of business at _____ ("____"), and _____, ("Company"), sets forth the terms and conditions of the confidential disclosure of certain information between the parties. The party from time to time disclosing Confidential Information, as herein defined, shall be referred to as the "Discloser" and the party from time to time receiving such Confidential Information, as herein defined, shall be referred to as the "Recipient." The term "Confidential Information" shall refer to the Confidential Information disclosed by either party, as the case may be.

1. "Confidential Information" shall mean the information described at the end of this Agreement, which is disclosed to Recipient by Discloser in any manner, whether orally, visually or in tangible form (including, without limitation, documents, devices and computer readable media) and all copies thereof. Tangible materials that disclose or embody Confidential Information shall be marked by Discloser as "Confidential," "Proprietary" or the substantial equivalent thereof. Confidential Information that is disclosed orally or visually shall be identified by Discloser as confidential at the time of disclosure and reduced to a written summary by Discloser, who shall mark such summary as "Confidential," "Proprietary" or the substantial equivalent thereof and deliver it to Recipient by the end of the month following the month in which disclosure occurs. Recipient shall treat such oral or visual information as Discloser's Confidential Information pending receipt of such summary.
2. Except as expressly permitted herein, for a period of three (3) years from the Effective Date (the "Nondisclosure Period"), Recipient shall maintain in confidence and not disclose Confidential Information.
3. Recipient shall have the right to use Confidential Information solely for the purpose of _____

_____ (the "Permitted Purposes").
4. Recipient shall disclose Confidential Information only to those of its employees who reasonably require such information for the Permitted Purpose.
5. Confidential Information shall not include any information that Recipient can demonstrate:
 - a. Was in Recipient's possession without confidentiality restriction prior to disclosure thereof by Discloser hereunder;
 - b. Was generally known in the trade or business in which Discloser is involved at the time of disclosure to Recipient hereunder, or becomes so generally known after such disclosure, through no act of Recipient;
 - c. Has come into the possession of Recipient without confidentiality restriction from a third party and such third party is under no obligation to Discloser to maintain the confidentiality of such information; or
 - d. Was developed by Recipient independently of and without reference to Confidential Information. If a particular portion or aspect of Confidential Information becomes subject to any of the foregoing exceptions, all other portions or aspects of such information shall remain subject to all of the provisions of this Agreement.
6. Recipient agrees not to reproduce or copy by any means Confidential Information, except as reasonably required to accomplish Recipient's Permitted Purpose. Upon termination of this

Agreement, Recipient's right to use Confidential Information, as granted in paragraph 3 above, shall immediately terminate. In addition, upon demand by Discloser at any time, Recipient shall return promptly to Discloser or destroy, at Discloser's option, all tangible materials that disclose or embody Confidential Information.

7. Recipient shall not remove any proprietary rights legend from, and shall, upon Discloser's reasonable request, add any proprietary rights legend to, materials disclosing or embodying Confidential Information.
8. In the event that Recipient is ordered to disclose Discloser's Confidential Information pursuant to a judicial or governmental request, requirement or order, Recipient shall promptly notify Discloser and take reasonable steps to assist Discloser in contesting such request, requirement or order or otherwise in protecting Discloser's rights prior to disclosure of Confidential Information.
9. Discloser understands that Recipient develops and acquires technology for its own products, and that existing or planned technology independently developed or acquired by Recipient may contain ideas and concepts similar or identical to those contained in Discloser's Confidential Information. Discloser agrees that entering into this Agreement shall not preclude Recipient from developing or acquiring technology similar to Discloser's, without obligation to Discloser, provided Recipient does not use the Confidential Information to develop such technology.
10. Other than as expressly specified herein, Discloser grants no licenses or other rights to Recipient, at the expense of Discloser to use or reproduce Confidential Information.
11. This Agreement and all actions related hereto shall be governed by the laws of the State of Maryland, excluding its choice of law principles.
12. This Agreement expresses the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes all prior oral or written agreements, commitments and understandings pertaining to the subject matter hereof. Any modifications of or changes to this Agreement shall be in writing and signed by both parties hereto.
13. Unless earlier terminated in accordance with the provisions hereof, this Agreement shall remain in full force and effect for the duration of the Nondisclosure Period, whereupon it shall expire. Either party may terminate this Agreement at anytime, without cause, effective immediately upon written notice of termination. In the event this Agreement is terminated, its provisions shall survive, for the Nondisclosure Period, with respect to Confidential Information disclosed prior to the effective date of termination. Any causes of action accrued on or before such expiration or termination shall survive until the expiration of the applicable statute of limitations.

Confidential Information

"Confidential Information" shall include trade secrets, computer software, source code, object code, data, flow charts, inventions, experiments, developments, equipment, prototypes, computer hardware, drawings, blueprints, manufacturing procedures, test procedures, business activities and plans, financial information, Company lists, operational methods, marketing strategies, sales information, and other information relating to the business or prospects of Discloser of any nature whatsoever, whether in intangible or tangible form.

Contacts

A. Company designates the following individual(s) as its contact(s) for receipt of Confidential Information:

B. ___ designates the following individual(s) as its contact(s) for receipt of Confidential Information:

C. Each party reserves the right to change their contact(s), and will endeavor to notify the other party in such event.

	Company

By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

ACCA Annual Conference: Trade Secrets

Vanessa L. Allen
October 21-23, 2002

Agenda

- Trade Secrets for General Practitioners
- Methods of Protection
- Remedies



What Is a Trade Secret?

- Basic definition (Torts based) – (i) information, (ii) that has value because it is not generally known and (iii) that is maintained in secrecy.
- Uniform Trade Secrets Act – information, including a formula, pattern, compilation, 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 its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Key Concepts

- Value
- Secrecy
- Maintenance of Secrecy – Reasonableness
- The Economic Espionage Act of 1996 - seeks to incorporate intangible trade secrets, which may be stored electronically

Before You Pull Back the Curtain...



Agreement



Protection



Tracking

Audits

- What is an Audit?
 - Detailed examination of ordinary processes
 - Carried out by an independent assessor
 - Minimize liability

Audits

- Why Conduct an Audit?
 - Survey and catalog assets
 - Merger, acquisition, divestiture
 - Review adequacy of protection
 - Identify value of the trade secrets; Put “on the books”
 - Identify opportunities and liabilities
 - Educate employees
 - Improve security, IT and other processes

How Is IP Taken?

- Theft or misappropriation
- Residual Use Issues
- Distribution of it by you
- Improper disclosure
 - by one who knows not to disclose it
 - by one who does not know to protect it
- Inadvertently during discovery

Examples

- Former employee, Mr. Jones, discloses trade secrets to his new employer regarding information obtained at previous employer
- Consultant executes a nondisclosure agreement so that he may help your company develop a new product. Consultant then discloses trade secrets to a subsequent client and/or competitor to you or your client.
- Ace hacks her way into a company computer system and downloads or copies the trade secret data for a new engineering prototype and then sells the information to a third party who is in competition with you or your client.

How Do You Learn It's Gone?

- Release of a like product
- Comparisons from customers
- “What the hell is this E-mail”
- Luck

-----Original Message-----

From: X

Sent: Thurs., May 31, 2001 9:46am

To: Vanessa Allen

Subject: FW: what the hell is this??!!

Importance: High !

What Are Legal Bases for Protection?

- Common Law
- Statutory
- Criminal Penalties
- International Laws

Methods of Protecting IP

- Non-disclosure agreements
- Non-compete agreements
- Employment practices: policies, forms, exit interviews, invention disclosure
- Security measures/practices
- Common law protections
- Statutory protections
- Damages & Injunctive/Equitable Relief

The Setting - Third Parties

- In 1994, 71% of entrepreneurs responsible for starting the country's 100 fastest growing companies developed their ideas through their former employment - either by recognizing an opportunity that the former employment didn't appreciate or even know about, or by improving upon some aspect of the company's products or services. (*Computer User Magazine*, "Moonlighting")

Non-Disclosure Agreements

- Contractual method to limit the type and scope of disclosure of confidential information provided by one party to another party
- Identify the information deemed confidential; State a permitted purpose
- Provide remedies for disclosure

NDA's & Trade Secrets

- NDA's are enforceable even if information is not a trade secret
- *IDX Systems Corporation v. Epic Systems Corporation, University of Wisconsin Medical Foundation*, 285 F.3d 581 (April 1, 2002).
- Time and geographical limitations are not required
- "Rules limiting the extent of non-compete clauses are based on the fact that they tie up human capital and, if widely adopted, may have the practical effect of preventing horizontal competition."

NDA's – Key Provisions

- Definition
- Purpose
- Term
- Binding on Successors
- No Reverse Engineering
- Reciprocity
- Use of Residual Information/Non-compete

Residual Knowledge

- “Recipient may enhance its knowledge and experience retained in intangible form in the unaided memories of its directors, employees/contractors and advisors as a result of viewing Discloser’s Confidential Information. So long as Recipient complies with the purpose of the NDA, Recipient may develop, disclose, market, transfer and/or use such knowledge, experience and IP that may be generally similar to Discloser’s Confidential Information, and Discloser shall not have any rights in such knowledge, experience or IP nor any rights to compensation related to the Recipient use of knowledge, experience or IP, nor any rights in Recipient’s business endeavors.”

NDA’s – USE ONE!!

- Control of Employees Signing More than One NDA with the same party
 - Personal liability of NDA
 - Conflict of Interpretation
 - Breadth of Scope
- Control of Vendor’s Requests for Information

The Setting - Employees

- 1965, 9th circuit: “Restrictions upon the use and disclosure of [information acquired in the course of a terminated employment relationship] . . .interfere with the employee’s movement to the job in which he may most effectively use his skills. . .Such restrictions impede the dissemination of ideas and skills throughout the industry. The burdens which they impose upon the employee and society increase in proportion to the significance of the employee’s accomplishments, and the degree of his specialization.” *Winston Research Corp. v. Minnesota Mining and Manufacturing Co.*, 350 F.2d 134, 137-38 (9th Cir. 1965).

Non-Compete Agreements

- Distinction between employees’ education or skill and employers’ trade secrets
- Geographical Scope and Reasonable Time
- Breadth
- Assignment of IP provisions

Employee Issues

- Hiring

- Was employee subject to previous confidentiality contract
- Inform them of your trade secret policy
- Execute a non-compete agreement with assignment clause
- Consistency

- Forms

- Invention Disclosure
- Non-compete (reasonable)
- NDA
- Corporate Policies

Employee Issues

- Termination

- Separation written notice to remind of confidentiality obligations
- Request for all company materials
- Exit interview
- Consistency

- Reminder of Forms

- Copies of NDA, Non-compete

Foreign National Employees

- HB-1 visas
 - allow foreign nationals with specialty skills to work in the US for 3-year renewal period
 - hostile countries
- Export
 - Disclosure of technical data to foreign national regardless of where the disclosure is made
 - Government approval: Office of Defense Trade Controls & BXA
 - 22 CFR § 120-130
 - 15 CFR § 730-774

Business Problem Areas

- Adequately define & protect trade secrets
- Support from your client
- Anti-competitive litigation between companies;
Litigation against employees
- The Internet's distribution capabilities
- **International protection, or lack of protection**

Making Your Job Easier

- **Talk to your inventors & deal makers:**
 - Who are they sharing information with?
 - How are they using joint development work?
 - What have they heard about competitors' products?

- **Talk to employees:**
 - Training related to IP and confidentiality
 - “They will sign our NDA if we sign theirs!”
 - Institutional (e.g. HR) processes; Marketing
 - Incentive programs and a corporate IP portfolio

Making Your Job Easier

- **Talk to outside counsel:**
 - Review your forms
 - Registration abroad?
 - Cease & desist letters; Injunction
 - Best methods of enforcement

- **Talk to vendors:**
 - What are the expectations of software use? of Ownership? Of the scope of the license?
 - Audit provisions and reimbursement of audit expenses if infringement is discovered
 - Use restrictions – competitors, illegality
 - Export restrictions
 - Confidentiality

Enforcement Concerns

- Legal Costs (arbitration, litigation)
- Business practices implementation to protect IP
- Cost of registering everything, everywhere
- Value of the information at risk
- Statutory & common law requirements for protecting IP
- Cost of buying relevant IP rights or domain names

Enforcement

- Notice & Opportunity to Cure
- Civil - State court statutes and case law
- Criminal - Economic Espionage Act & federal statutes
- Enjoin disclosure of trade secrets; Injunctive Relief
- Equitable relief for confidentiality/NDA Breach
- Common law “duty of loyalty”

Litigation

Damages

Interesting Cases

- August 2002 - Robert R. Keppel couldn't "cheat" Microsoft
 - Plead guilty under 18 U.S.C. 1832(a)(2) to theft of trade secrets from Microsoft and Oracle
 - www.cheetsheets.com sold MCSE exams & answers
 - Sentencing scheduled for November 1, 2002 facing maximum up to 10 yrs, up to \$250,000 fine, and supervision period after imprisonment of up to 5 yrs.

Interesting Cases

- June 2002 – Research fellows steal from Harvard
 - 2 former research fellows stole trade secrets while at the Dept. of Cell Biology
 - Shared with a Japanese company who later cooperated with FBI & Harvard
 - Investigation continues for conspiracy, trade secret theft and interstate transportation of stolen property charges

IP Issues for the Generalist

2002 ACCA Annual Meeting

- Copyrights
 - Lynne M. Durbin, General Counsel,
Adhesives Research, Inc.
- Patents and Trademarks
 - Robert A. Maggio, Chief Patent Counsel,
W. R. Grace & Co.-Conn.
- Trade Secrets
 - Vanessa A. Allen, Senior Corporate Counsel,
Digex, Incorporated

Four IP Types

- Copyrights
 - regulated by international, federal and common law. Rights can last 75-100 years.
- Patents
 - regulated by Federal Patent Act. Rights can last 20 years.

- Trademarks
 - regulated by Lanham Act, state and common law. Rights can be perpetual.
- Trade Secret
 - regulated by federal Economic Espionage Act, state and common law. Rights can last forever, if handled properly.

Copyrights-- What you need to know

Lynne M. Durbin

Are Copyrights Still Relevant?

- Napster
- Gone With The Wind or The Wind Done Gone
- Legg Mason preliminarily enjoined from copying Lowry's NYSE Market Trend Analysis
 - U.S. District Court of Maryland, August 2002

What can you copyright?

- The “expression” of ideas, but not the ideas themselves.
 - Facts are not capable of being copyrighted.
 - Literary, musical, dramatic, choreographic, pictorial, audio-visual works.
 - Motion pictures and sound recordings.
 - Architectural works.
 - Software.

When does copyright protection exist?

- 17 U.S.C. Sect. 102
 - protection exists “in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced or otherwise communicated, either directly or with the aid of a machine or device.”
- There is no requirement of publication.

- Since March, 1989, there has been no requirement to mark a work in order to have copyright protection. However, commentators agree it is prudent practice.
- Appropriate marking is:
 - © with full name, e.g. ©Lynne M. Durbin
 - Or copyright or copr. followed by full name.

What Value Is a Copyright?

- A copyright holder has a personal property right which gives him the “exclusive” right to
 - reproduce
 - distribute to the public
 - perform in public
 - display in public
 - prepare derivative works

What Value Is a Copyright-2

- A holder may collect royalties via a copyright license or sell or assign the copyright for a fee.
- A holder may sue others for infringement and collect actual damages, and, if the copyright is registered, may collect statutory damages.

Is Registration Necessary?

- Registration is not required. A copyright comes into existence once the original work is fixed in a tangible medium.
- However, there are multiple benefits to registration--
 - puts the world on notice of your rights
 - can be prima facie evidence of validity
 - can give right to statutory damages
 - can help protect against importation of infringing copies

How to Register

- In the U.S., file a simple form with the Copyright Office along with a copy of the work and \$30 filing fee.
 - Registration forms on-line at www.loc.gov/copyright/circs/circ1.html
- Laws vary in other countries. However, signatories to the Berne Convention for the Protection of Literary and Artistic Works will recognize same rights as U.S. grants.

How Long Does a Copyright Last?

- Since 1978,
 - from creation through author's life , plus 70 years
 - anonymous or works made for hire, earlier of 95 years from first publication or 120 years from creation

- For works published or registered before 1978, with renewals, there is a potential for 95 years.
- There is mounting controversy over the continuing lengthening of copyright protection.

Copyright Hot Buttons

- Works made for hire
- Unwitting copyright assignments
- The busy copying machine
- The Worldwide Web, websites and the Digital Millennium Copyright Act

Works Made for Hire--Do You Own the Copyright?

- Employer owns work as author if “prepared by an employee within the scope of his or her employment”, 17 U.S.C. 101
 - useful to have assignment language in employment agreement
- If company contracts for work, company owns work “if the parties expressly agree in a written instrument signed by them.” 17 U.S.C. 101

When Do Contracting Issues Arise?

- Creation of software
- Website design
- Advertising or marketing copy

- If you don't review these agreements on a regular basis, consider putting assignment language in your purchase order boilerplate.

What Are Your R&D and Marketing Personnel Up To?

- Who reviews technical articles?
- Who reviews marketing pieces?
- Have you trained personnel in either department about copyrights?
- Do you ever see copyright assignment forms from these groups?
- Do they know enough to mark their work?

Is the Copier Smoking?

- Many small (and large) companies try to economize by cutting down on subscriptions to trade and technical journals.
- If single copies of such journals are circulated by a routing slip, there is no problem.
- Wholesale copying of articles, and even complete newsletters, can lead to trouble.

- Lawsuits occur frequently over such misuse.
- To avoid trouble:
 - more subscriptions
 - obtain blanket license from Copyright Clearance Center, Inc. (www.copyright.com)
 - obtain license directly from source of material

WWW., Websites, Chatrooms, Bulletin Boards

- Applying traditional copyright principles to the digital, internet world has challenged the courts.
- Congress passed the Digital Millennium Copyright ACT (DMCA) which came into effect in January of 1999. It added Sect. 512 to the Copyright Act.

Digital Millennium Copyright Act

- Limits infringement liability for online service providers in areas of:
 - transitory communication
 - system caching
 - storage of information on systems or networks at direction of users
 - information location tools

How to Obtain DCMA Protection

- Register designated agent for service with Copyright Office.
- Respond promptly to claims that infringing material is posted on your web site.
- Implement a website copyright infringement policy.

What Happens if You Infringe?

- Injunctions, payment of actual damages and any profits you as the infringer have earned, possibility of statutory damages.
- Sometimes criminal prosecution.
- Best case is to settle early for a license, retractions and/or acknowledgments.

Defenses to Infringement

- First Sale Doctrine
 - limited defense
- Fair Use Doctrine
 - 4 part test
 - what is the purpose and character of use
 - is it commercial
 - is the new work transformative
 - what is the nature of the copyrighted work
 - is it creative or a factual compilation

- what is the amount and how substantial a portion of the work was used in relation to the work as a whole
- what is the effect of use on the potential market or value of the work
- Case law is very fact specific. The more commercial the use, the more of the work copied and the more revenue diverted will lead to a finding of infringement.

Points to Remember

- Easy to mark
- Simple and inexpensive to register
- Obtain assignments of works for hire
- Watch out for unplanned assignments
- Obtain blanket licenses for copying
- Use the safe harbors of DCMA

Patent and Trademark Topics

Robert Maggio

Introduction

- Patent and Trademark topics for the generalist
- Goals:
 - Provide basic understanding of selected concepts related to patents and trademarks
 - Sensitize listener to certain commonly encountered traps and pitfalls

Agenda

- Basic Patent Concepts
- The Exclusionary Right of Utility Patents
- Basic Trademark Concepts

What Is A US Patent?

- Grant
- For fixed period of time
- From US government
- Obtained from the US Patent & Trademark Office
- To inventor(s)
- Of right to exclude others
- From making, using, selling or importing into US
- The invention claimed in the patent

Patent Contract

The Right To Exclude Others	The Disclosure To The Public
❖Is Limited to the claimed invention	❖Must describe the invention and enable public to carry it out
❖Is limited for period of time: 20 yrs first filing...then public is free to use	❖Must state what is being claimed so public can distinguish between infringing and non-infringing activity
❖Is limited to territory of patent	

Key Concepts

- Owning A patent does not give you the right to practice the claimed invention – only the right to exclude others from doing so
- Consequently:
Owning a patent does not protect you from infringing patents of others

What Types Of Patents Are Available?

- Utility Patent
 - Covers process, machine (moving parts), manufacture (no moving parts), composition of matter or any improvement thereof
- Design Patent
 - Covers ornamental designs for articles of manufacture
- Plant Patent
 - Covers asexually reproduced new varieties of plants

What Is a Patent Claim?

- Numbered single sentence
- Appearing at the end of a patent
- Defines the metes and bounds of the exclusionary right (in contrast to specification which describes the invention)
- Can be independent or dependent

Examples Of Patent Claims

- 1. A composition comprising a mixture of components A, B, and C.
- 2. The composition of claim 1 further comprising component D.
- 3. The composition of claim 2 wherein component D is a halide salt.

What Are Legal Requirements For Obtaining A Patent?

- Patentable Subject Matter (35 USC § 101)
- Novelty (35 USC § 102)
- Utility (35 USC § 101 & 112)
- Non-Obvious over prior art (35 USC § 103)
- Proper form and content (35 USC § 112)
- Payment of fees

What Is Prior Art?

- Subject matter which hypothetical skilled artisan is charged with knowledge of in making the determination of whether the differences between it and the claimed invention is obvious
- Subject matter which is used in evaluating whether a claimed invention is novel

What Is Difference Between Patentability and Validity Opinions?

- Patentability opinion is a conclusion about the probability that an invention, if properly described in a patent application, will meet the criteria of utility, novelty, and non-obviousness for obtaining a patent.
- Validity opinion is a conclusion about the probability that a court can be convinced that an invention claimed in an issued patent fails to meet all the legal criteria for obtaining a patent

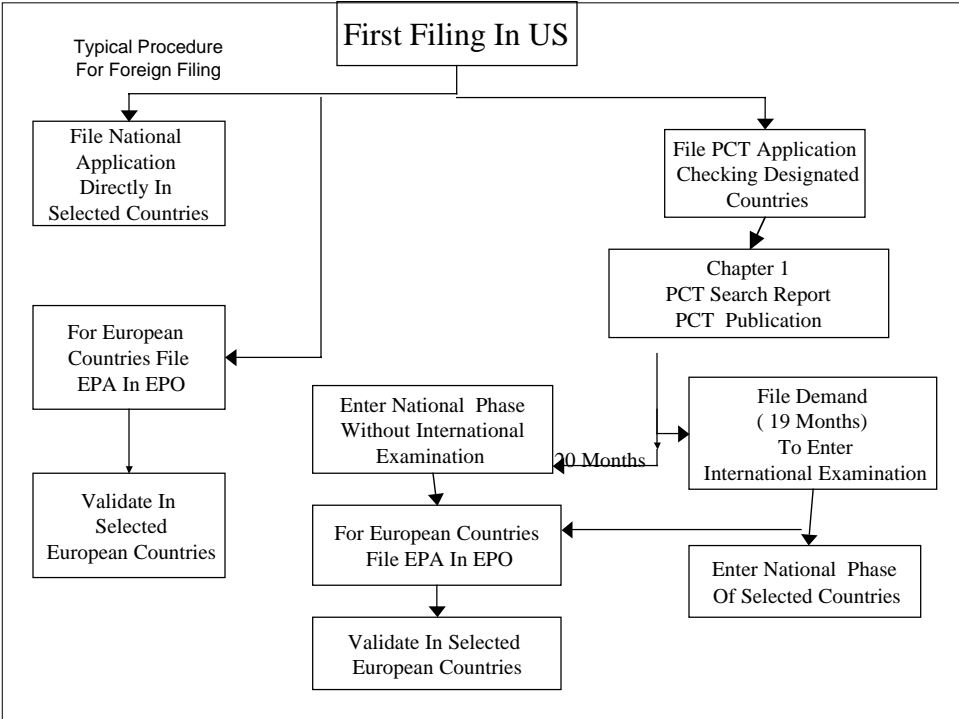
What Is Typical Process For Obtaining A Patent In A Corporation?

- Inventor Prepares Invention Disclosure
- Prior art search conducted and patentability opinion rendered
- Corp. decides whether to file Pat App
- Pat App prepared by Atty. and filed in USPTO
- Pat App prosecuted to allowance in USPTO
- Within one year of filing in USPTO, the Pat App is filed in selected foreign countries and prosecuted to allowance
- Maintenance fees are paid for each country in which a patent exists

How Can Inventor Determine If Invention is Patentable?

- Inventors should never make determination of whether an invention is patentable
- The determination of patentability should always be made by Patent Atty

What Is Typical Procedure For Filing A Patent Application On A Worldwide Basis?



What Does It Cost To File A Patent Application? PCT

	Official/		Miscell./		Total Incl	
	<u>Associate</u>	<u>Translation</u>	<u>In-House</u>	<u>Total</u>	<u>Annuities</u>	<u>Annuities</u>
PCT (International)	\$3,017	\$0	\$1,200	\$4,217	\$0	\$4,217
Report Totals	\$3,017	\$0	\$1,200	\$4,217	\$0	\$4,217

Patent Costs Continued						
National Stage						
	Official/ Associate	Translation	Misc/ In- House	Total	Annuities	Total Incl Annuities
AU	\$1853	0	\$964	\$2817	\$6943	\$9760
BR	\$2327	\$1600	\$964	\$4891	\$12,565	\$17,456
CA	\$1556	\$0	\$964	\$2520	\$7469	\$9889
China	\$1882	\$2240	\$964	\$5086	\$14,293	\$19,379
EP	\$8036	\$644	\$1464	\$10,144	\$1250	\$11,394
JP	\$3495	\$5289	\$964	\$9748	\$15,145	\$24,893
USA	\$3160	\$0	\$0	\$3160	\$6000	\$9160
South Africa	\$857	\$0	\$764	\$1621	\$4341	\$5962
Totals	\$23,166	\$9773	\$7048	\$39,987	\$68,406	\$107,993

What IS The Term Of A US Utility Patent?

- If filing date of original US Pat App is on or after May 29, 2000 the expiration date is 20 years from filing + any term adjustment listed on face of patent.
- If not see chart in materials

How Is Patent Infringement Determined?

- The meaning of the words in the claim are determined (Claim Interpretation).
- Applying the adopted claim interpretation, each element of the claim is read against the accused subject matter.
- If each element of the claim is found to be literally present in the accused subject matter, the claim is said to be literally infringed.
- If a claim element is not literally present, but its equivalent is, the claim may be infringed under the Doctrine Of Equivalents.

Example

- 1. A catalyst support comprising
 - inorganic oxide having the following properties:
 - surface area of 20 to 400 sq meters/gm
 - particle size of 10 to 100 microns
- Accused product 1
- Iron oxide
 - Surface area = 50 sq meters/gm
 - Particle size = 99 microns
- Accused product 2
 - Same as accused product 1 but particle size is 105 microns

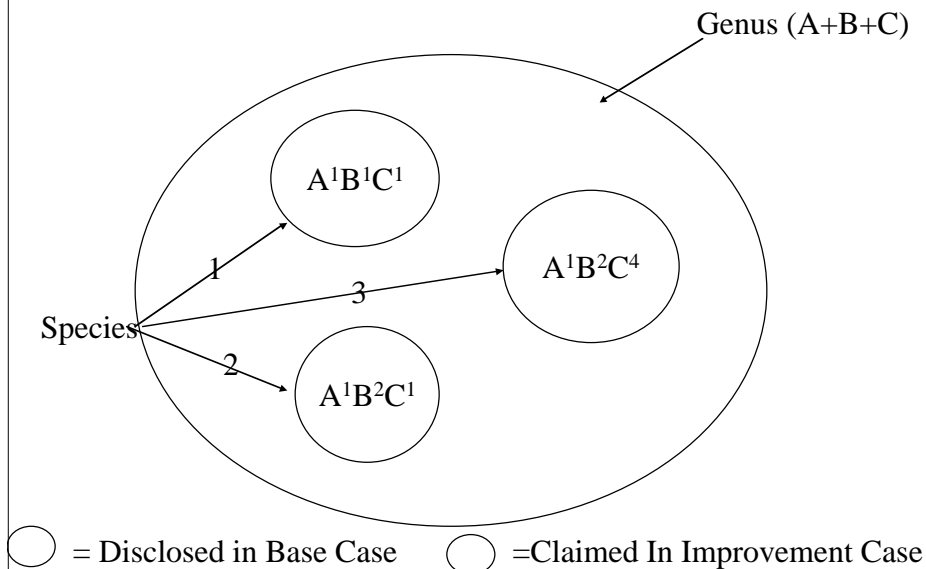
What Is Claim Domination?

- Domination is a term typically used to describe the relationship between coverage of subject matter by two different claims whereby one claim (dominant claim) completely subsumes coverage of second claim (dominated claim).
- All independent claims dominate their dependent claims
- However when two such claims appear in different patents owned by different companies the result is counter intuitive

How Is It Possible To Have 2 Patents Cover The Same Embodiment In 2 Different Patents Owned By 2 Different Companies?

- The answer lies in the following Axiom:
 - A single species always anticipates the entire genus of which it is a part, but a genus does not necessarily anticipate a species contained by the genus.

Illustration Of Genus/ Species



What Is A Trademark?

- Word, name, symbol, sound, device or combination thereof
- Used to ID the source of goods and
- To distinguish the source from its competitors
 - Service marks are used to distinguish the source of services
- Proper Use is critical

What Is Proper Use Of TM?

- Source + Product
- Always use TM in connection with a product
- Never use TM as a verb or as a descriptive name of a product or process
- If the TM is a federally registered use the ® symbol as a superscript of the mark
- If not registered use the TM superscript
- When using the Company name as a business unit or division, no symbol is used

Where Do The ®'s Go Correct This Sentence?

Xerox employees at the new Xerox plant produce Xerox copiers and Xerox scanners which are used by Xerox's customers to Xerox documents.

Corrected Sentence

Xerox employees at the new Xerox plant produce Xerox® copiers and Xerox® scanners which are used by Xerox's customers to Xerox* documents.

* Note : Improper use of a TM as a verb is fastest way to cause it to become generic and thereby loose its ability to function as a TM