

Summary of Intellectual Property Considerations and Guidance For Nonprofits and For Profit Social Business Start-Ups

The following document provides a brief summary of considerations for organizations thinking about intellectual property (“IP”) issues. The main IP protections discussed below include trademarks, copyrights, patents, trade secrets and open source software.

- I. Patents:** A patent grants a property right on an invention, allowing the patent holder to exclude others from making, selling, or using the invention. Patent rights are acquired through application with the United States Patent and Trademark Office. *See more starting on page 2.*
- II. Open Source:** Open source software is software that is distributed with source code available for review. Various open source licenses enable a copyright holder of the source code to add limitations to the use of the software. These licenses should be understood when determining how to use open source products. *See more starting on page 6.*
- III. Trademarks:** Trademarks protect distinctive marks, such as brand names, logos, and designs. This protection allows a trademark holder to exclude others from using the mark without permission of the owner. *See more starting on page 7.*
- IV. Copyrights:** Copyrights protect original works of authorship, such as literary works, music, dramatic works, pictorial works, graphic works, sound recordings, artistic works, and computer software. This gives a copyright holder exclusive rights to modify, distribute, perform, display, and copy the work. *See more starting on page 14.*
- V. Trade Secrets:** Trade secrets protect a formula, process, device, or other business information that companies keep private to give them a business advantage over their competitors. Trade secrets are maintained through internal policies and protections of the secret information. *See more starting on page 18.*
- VI. Best Practices for Organizations:** IP Provisions should be used in company contracts and reviewed by IP experts. Finally, organizations should be aware of any IP clauses in their business insurance to understand if they are covered for any potential infringement claims. *See more on starting on page 20.*

Many of the IP protections described herein have scope limited to certain countries. For example, a U.S. patent provides protection only within the U.S. While certain features of global IP protections are mentioned below, it should be understood that the descriptions below are focused primarily on those protections as they apply within the U.S. While IP protections can be acquired in other countries, significant additional filing and attorney fees may apply. For most companies starting out, global protection of IP is not a feasible goal. Care should be given to determine the appropriate countries in which to pursue each type of IP.

Patents

Patents provide inventors the right to exclude others from using the technologies covered by the patent for a limited time. In exchange for exclusivity, inventors must disclose how to make and use the invention. An inventor can apply for a patent with the United States Patent and Trademark Office (PTO), as well as other intellectual property offices around the world. The PTO and applicant then negotiate to determine the scope of protection that the invention will receive in a patent. Although many applications eventually receive a patent, applicants should be aware that the process can take several years and in some cases, the PTO may refuse to issue a patent. The following considerations can be helpful when determining subject matter to file in a patent application.

1. Types of Patents. Patents can be obtained in the United States for multiple types of inventions. Many countries have similar patent designations, but they can vary by jurisdiction and each should be considered separately. In the United States, patents are granted in three areas: (a) utilities, (b) design, and (c) plant. (a) Utility applications are those directed toward the classic understanding of an invention. These are for new apparatuses or processes that improve on previous technologies. (b) Design applications protect new ornamental (appearance) designs. Design applications can overlap with trademarks and copyrights, but also provide additional protections for a limited time frame. (c) Plant patents are directed to new varieties of plants. If you are considering developing a company based around a new plant or related product, please discuss patent protection with a practitioner with related experience.

2. Invention Records. U.S. companies have traditionally been incentivized to keep accurate invention records because the patent system rewarded a patent to the first inventor even if the inventor wasn't the first to file a patent application. Although the United States now has a "first to file" patent system, it is still important to document conception and ongoing efforts to implement inventions. These records can still be used to prove the source of inventions. For example, invention records can show a technology was developed by the company during derivation proceedings at the PTO or trade secret misappropriation. As such, in addition to preserving inventor notebooks and other evidence of invention conception, the use of a formal invention disclosure procedure is recommended.

3. Patentability Searches and Duty of Disclosure. In general, an idea is patentable in the U.S. if it is new and not obvious in view of the technology that predates it (referred to as the "prior art"). Most other countries have similar requirements. Note, however, that there is no requirement that you perform a search of the prior art (referred to as a patentability search) to determine if an idea is patentable. As such, the decision whether to perform such a search is normally based on a cost/benefit balancing.

It is important to note, however, that while there is no duty to perform a patentability search, there *is* a duty to disclose to the United States Patent and Trademark Office (PTO) all information known (by anyone involved with preparation of the patent application) that is material to the patentability of any invention claimed in the patent application. Such

information may include, for example, prior patents, published patent applications, published articles, web sites, products (including a company's own products), etc. If a prior art search has already been performed (or you are otherwise aware of any such information), please bring such information to the attention of your patent counsel. Note that this duty continues until the patent application either issues into a patent or is abandoned.

4. Timing. Patent applications can be filed in almost every country in the world. A patent is only enforceable in the country in which it was filed. A complex set of laws and treaties govern one's ability to file a patent application in the U.S. and in other countries. Regardless of the country in which patent protection is desired, timing is critical when it comes to the filing of patent applications as the United States, like most foreign countries, are on a first to file system. In a first to file system, the first applicant to file a patent application is given priority over other applications that cover the same subject matter. For example, if two inventors independently develop the same new product, the first to file a patent application is given priority over the other, even if he developed the product later.

While this area of the law is complex and each invention must be addressed individually with respect to the law of each relevant country, a good primary rule of thumb for a U.S. company is to file a U.S. patent application BEFORE any of the following: 1) commercial exploitation of the invention (e.g., actual sale of a product or service containing the invention); 2) public use (e.g., display at a conference of a product or service that contains the invention); or 3) public disclosure (e.g., disclosure of an invention at a conference and/or publication of a paper describing the invention). In addition to the preservation of rights in the U.S., this will typically preserve the right to file that U.S. patent application within a year of that U.S. filing in those foreign countries with which the U.S. has a treaty (which includes most countries of the world).

If the above primary rule of thumb will/has not been met, a secondary rule of thumb for a U.S. company is to file a U.S. patent application on an invention WITHIN ONE YEAR of the earliest of the following: 1) commercial exploitation (e.g., the first OFFER for sale or actual sale of the invention, whichever is earlier; etc.); 2) public use (e.g., display at a conference of a product or service that contains the invention); and 3) public disclosure (e.g., disclosure of an invention at a conference and/or publication of a paper describing the invention). Where the above primary rule of thumb has not been met but the secondary rule of thumb has been met, the right to seek protection in most foreign countries is typically lost, but the right to file in the U.S. remains.

5. Publication. By default, U.S. patent applications will be published 18 months after the earliest priority date relied upon (e.g., the filing date of the application or its parent). In order to avoid publication and keep the content of a patent application secret until a patent is issued, a request for nonpublication must be filed concurrently with the filing of the patent application, and such a request can only be made if one does not intend to foreign file the patent application. It should be noted that when a request for non-publication is filed, a certification is made to the U.S. Patent Office that the applicant does not have an intent to file the application in a foreign jurisdiction at the time of the request. A nonpublication request is

not appropriate if the applicant has not yet made a decision whether to file a counterpart application in a foreign country. Also, the certification made with a nonpublication request cannot be made based on a lack of knowledge of the applicant's plans concerning the foreign filing of any counterpart application. In addition, the fact that a particular applicant has a tendency to file counterpart applications for fewer than 50 percent of its U.S. applications is not alone an adequate basis for filing all or any of the U.S. applications with a nonpublication request. The applicant must have an affirmative intent not to file a counterpart application, and not just the absence of any intent or plan concerning the foreign filing of any counterpart application. The filing of a false certification can result in the invalidation of any patent that is ultimately granted on the patent application.

One benefit of allowing a patent application to be published is that one can potentially obtain provisional rights from the time the patent application is published. Under the patent statute, if a claim of an issued patent is infringed and is substantially identical to one previously published, then the patent owner is entitled to a reasonable royalty from the infringer relating back to the date on which the patent application was published (but no earlier than the date the infringer had actual notice of the published patent application). Since it may take as long as three years or more for a patent to issue, publication of the patent application may provide an extra two years of "back damages." Another potential advantage of publication is that it makes the patent application available as prior art (e.g., against competitors) earlier.

One downside to publication is that, in addition to the patent application being published, the prosecution history ("file wrapper") of the patent application becomes open to the public while the application is still pending. As a result, a competitor may monitor correspondence with the PTO relating to a published patent application.

Turning now to nonpublication, the primary advantage is maintaining the secrecy of the patent application until it issues as a U.S. patent. However, if the patent application is not published, then damages can only begin to accrue after the patent issues and the infringer has been put on notice.

5. Filing Patents in Foreign Countries. Various countries have different requirements for timing when filing patent applications. Many of these can be stricter than those of the U.S. For example, while patent applications in the U.S. offer a year from a public disclosure to file a patent application, some foreign jurisdictions require filing before any public disclosure. If you qualify for foreign filing, then any foreign patent applications that you wish to file must be filed WITHIN ONE YEAR of the date that your U.S. patent application is filed. If you previously filed a provisional patent application and wish to claim priority to that provisional patent application, then any foreign patent applications must be filed within one year of the date that the provisional patent application was filed. Failure to claim priority to the provisional patent application may result in loss of foreign filing rights.

6. Marking Requirements. In order to maximize the potential value of a patent, it can be advantageous to mark all products covered by that patent. When a patent is first filed, this

can include a notice of “Patent Pending” or similar language. After a patent has issued, covered products should be marked with the patent number. If a product is not marked, the patent owner can still potentially get an injunction to exclude a competitor, but damages may be limited. Generally, damages for patent infringement are only available for infringement after an infringer has been on notice of the patent. Marking covered products with the patent number can be used to prove that competitors are on notice of the patent.

Some products do not lend themselves to easy marking. For such products, packaging, sales materials, brochures and other materials should be marked with the patent number. Other products and services, such as software may also be difficult to mark. These products can also be marked virtually by including a notice in the software that patents covering the software can be viewed at a website maintained by the company.

7. Standards Organizations. Most standards organizations require that their members disclose to the organization any patents or patent applications that relate to the subject matter under discussion. Furthermore, some standards organizations require that any patents obtained by their members on such subject matter be licensed, for example, at a reasonable royalty on a non-discriminatory basis. If a company is a member of a standards organization, or if any of the company’s employees have been active in a standards organization, please consult with IP counsel.

8. Third Party Claims. Threats of legal action and offers to license by other parties with respect to patents or other intellectual property require attention, and you should discuss such matters with IP counsel. Please consider discussing any unasserted, potential claims of which you are aware.

9. Entity Status and Payment of Patent Office Fees. When filing and prosecuting application at the PTO, there are various fees associated with different activities. For example, filing fees, examination fees, appeal fees, extension fees, issues fees and many others may occur during different stages. It’s important to discuss these fees to have a clear understanding of the total costs for acquiring and maintaining a patent.

One advantage of being a start-up company is that you may qualify for reduced fees at the PTO. Most fees have a default large entity cost. However, these can be reduced if you qualify as a small entity or micro entity. Fees are generally reduced by half for small entities and three quarters by micro entities. To qualify as a small entity, a business concern must be one whose number of employees, including affiliates, does not exceed 500 persons. Ownership, management, previous relationships, and contractual relationships can all play factors into determining whether an affiliation exists. Thus, if your company received funding or investment from a company that may be considered an affiliate, care must be taken to ensure that the 500 employee limit is not surpassed when claiming small entity status. Furthermore, assigning, licensing, or otherwise granting rights in an invention to a concern that would not qualify as a non-profit organization or small business concern may change the appropriate status.

Certain small entities may also qualify as micro entities. Micro entities must provide a certification that the inventors have not been named as an inventor on more than 4 patent application, that they have a gross income less than a maximum set by the PTO, and that no

rights in the invention have been granted to any entity with income greater than the maximum set by the PTO.

In many cases determining whether to file as a large entity, a small entity, or a micro entity is straightforward. However, due to many potential pitfalls, if there is any question as to the correct size, please consult with your intellectual property attorney. If there is any doubt remaining, the safest decision is to file as a large entity to avoid unexpected penalties, up to and including loss of patent rights, at a later date.

10. Patent Prosecution. After a patent application is filed at the PTO, it will begin the process of patent prosecution. The filed application enters a queue at the patent office and is eventually reviewed by a patent Examiner. In many cases the Examiner will issue a rejection indicating that the application is not allowable. At this point, the applicant can respond with arguments or amendments to the application. In some cases, this process may repeat several times before the Examiner indicates allowable subject matter and agrees to issue a patent.

The initial queue for a patent application to be picked up by an Examiner can take over 18 months in many cases. Back and forth communications with the Examiner can add additional pendency time before receiving a patent. The PTO has some programs that can help expedite this process. For example, filing an application with an extra fee for expedited prosecution can often result in an Examiner first picking up a patent after only a few months and an issued patent in as little as a year. Not all patent applications and companies may be seeking a patent for reasons that need a quickly issued patent. However, consider discussing practices for expediting patent prosecution with an intellectual property attorney if a quickly issued patent may be important.

11. Patent Enforcement. Patents enable a patent owner to prevent others from making, using, offering to sell, selling, importing or otherwise using methods or products that infringe on the claims of the patent. To enforce a patent, the patent owner brings a claim against another individual or entity that is infringing the patent in a federal court. The court then holds a trial to determine whether the patent owner's claim of infringement is correct. If the trial ends in favor of the patent owner, it can award the patent owner with monetary damages as well as potentially an order preventing the infringer from continuing to make or sell infringing products.

This is a vast oversimplification of the enforcement process, which can take years to reach a final decision and cost millions of dollars in legal fees. By bringing an action against an infringing competitor, the patent owner also opens up the patent to potential challenges to the validity of the patent. This can result in the issued patent becoming invalid or unenforceable. Due to the complexities of enforcing a patent, any potential enforcement action should be discussed carefully with an attorney to determine the best course of action.

Use of Open Source Software

Open source software can provide a number of advantages during software development and some developers prefer to work with open source software code they are

familiar with. However, introducing open source software to a company's proprietary software risks losing certain rights to the software. There are a number of open source licenses that cover different software. The license that covers software is generally included in the beginning of the source code. While some licenses are relatively harmless and allow the free use of the open source software without imposing additional commitments on the part of the licensee, other open source licenses may require distribution of software that includes open source software or is developed from open source software to be distributed with the source code. In some circumstances this may even result in unintentionally open sourcing of a company's proprietarily developed software.

To reduce the risk of unintentionally taking an open source license, companies should have a clear policy in place regarding the use of open source software. Any software that is going to be distributed should also be reviewed carefully for potential open source issues prior to distribution. If you are considering using open source software or have any concerns regarding open source software that may be incorporated into the company's software, please consider reviewing any licenses with your intellectual property attorney.

Open Sourcing The Company's IP

A company may want its intellectual property to be freely usable by others. However, such desire does not mean that a company shouldn't obtain protections on their intellectual property because third parties may still attack the company and the community. For example, a company can seek protection of its technology through patents in order to discourage patent aggression by other entities in the community and freely license its patents to the community through an irrevocable "promise." With such an irrevocable promise, the company could publish (e.g., on its website) a statement that its patents are available for use royalty free, subject to a condition that the license does not extend to any entities that assert a patent in proceedings against the company or its affiliates.

Trademarks

1. What is a Trademark?

The term "trademark" means any name, set of words, design logo or any combinations of logos and words used to identify a particular source of goods or services and to help distinguish your goods from those of other companies. Although one frequently hears the term "service mark" used in connection with names of services, for federal trademark registration purposes, there is no practical difference between a trademark and a service mark.

In order for a word or symbol to function as a trademark for your company, it must:

- (1) **Be Distinctive.** The mark must not be generic or merely descriptive of the applicable goods and services. Instead, the mark must be unique, fanciful, arbitrary or suggestive.

(2) Not Conflict with Any Other Prior Trademarks. The mark must not be so similar to any other mark previously adopted and used on similar goods and services as those you are offering. If two companies adopt similar marks that have the potential to deceive the public or create a “likelihood of confusion” as to the source of goods and services, the company that is the first to use the mark in commerce (i.e., provide goods or services under the mark) will be the senior user and have superior rights over any other junior user that adopted the mark later in time. Whether two marks have the potential for likelihood of confusion will depend upon the similarity of the marks at issue; the similarity of the goods or services; and the similarity of the trade channels of the goods or services. The marks are compared in sound, appearance, meaning and connotation. A study of marks already in existence, therefore, is an important part of any trademark selection process.

2. What is not a Trademark?

U.S. law (and most international laws) does not allow the protection of descriptive or generic marks. A descriptive mark is one which describes qualities or characteristics of the goods or services. Because descriptive marks do nothing more than describe or identify goods or services, they are entitled to registration *only* upon years (and sometimes decades) of proof that they have acquired "distinctiveness," that is, that the producer has managed to establish some identification in the mind of the consuming public that the mark refers to a specific brand of goods or services (e.g., American Airlines). In contrast, a "generic" mark is one which has come to identify a type of product rather than a specific brand and can never gain trademark protection (e.g., aspirin). Because the public commonly associates generic marks with types of products, they are *not* entitled to any trademark protection under federal law.

Thus, in general, the preferable practice is to choose an imaginative, fanciful mark in order to achieve the broadest permissible protection under the trademark laws (i.e., Nike, Apple, Haagen-Dazs).

3. How are Rights in a Trademark Established?

A U.S. Federal or State registration is *not* a prerequisite to *creation* of a trademark in the U.S. A trademark is created simply by virtue of its owner's *use* of the mark in connection with a certain set of goods or services which results in “common law” rights in the mark. As a result, at all times prior to the registration of the trademark, the trademark owner may use the familiar superscript "TM" (TM), which is the generally accepted trademark designation for unregistered marks.

4. Should I File for a Trademark Registration?

Yes. Owning a trademark registration in the United States puts others on notice that you hold a particular mark out as a trademark and also provides presumptive rights in the event you need to enforce your mark(s) against others who may be infringing upon your trademark rights. A Federal registration is achieved by filing a trademark application with the United States Patent and Trademark Office ("PTO") and is available only when the mark is used in connection with goods or services in *interstate* commerce (i.e., across state lines). If

you are using the mark in only a single state, a state trademark registration may be the only option.

5. What are the Steps in Obtaining a U.S. Trademark Registration?

Step #1: Trademark Search

Only by conducting a thorough trademark search can one gain any assurance that the use of a proposed mark will not infringe on any pre-existing common law rights or trademark registrations of a third party. Most comprehensive searches are performed by trademark search companies utilized by many law firms specializing in intellectual property. While utilizing an attorney to conduct such searching involves an additional up-front expense, an early search can identify issues with any marks selected and, therefore, avoid expensive infringement suits or the cost of having to rebrand your product or service further down the road in the event an earlier trademark owner with senior rights demands that you cease all use of your mark.

Step #2: Meeting the U.S. Patent and Trademark Office Requirements

In general, in order for a trademark to be registrable, the applicant must satisfy the following criteria: (i) the applicant must have been the first to use the trademark in interstate commerce in connection with the goods or services in question; (ii) the mark must be arbitrary or suggestive, or, if the mark is descriptive, the applicant must demonstrate proof of distinctiveness; and (iii) the mark must not be so similar to another trademark so that, when applied to the goods or services in question, the mark is likely to deceive the public or "create a likelihood of confusion" as to the source of the goods or services.

Step #3: Application and Costs

Assuming the above requirements are met and the results of the trademark search do not indicate any potential bars to registration, an application should be filed with the PTO containing basic information about the mark, including: (i) the name of the applicant; (ii) the principal address of the applicant; (iii) the state of organization of the applicant (if applicant is a corporation); (iv) the trademark (or a description of the mark); (v) a description of the goods or services on which the mark is used; (vi) the international and U.S. classes of the goods or services with which the mark is used; (vii) the date of first use of the mark anywhere; (viii) the date of the first use of the mark in interstate commerce (i.e., across state lines); and (ix) five specimens of the mark as used in the connection with the goods or services (such as labels, packages, advertisements and the like).

The application fee for a federal trademark application is on the order of a few hundred dollars for each class of goods or services, exclusive of any law firm fees for preparation and prosecution of the application.

Step #4: Potential Office Actions

Once the application has been submitted to the PTO, it will be assigned to an Examining Attorney, who will review the application to ascertain whether it meets all of the requirements for federal registration. If, in the Examining Attorney's opinion, any defects exist with the application which would bar registration of the mark, the Examining Attorney may issue an "Office Action" indicating what problems exist with the registration and suggesting possible amendments to cure such problems. Ordinarily, an applicant has six months to respond to any Office Action. The applicant must provide a response sufficient to persuade the Examining Attorney that the mark is entitled to registration. In order to accomplish this, it may be necessary for the applicant to amend or clarify the information in the application. If no response is given, the application will be deemed abandoned. If an unsatisfactory response is given to the Office Action, the Examining Attorney will deny registration and, unless the applicant appeals the decision, the application will then be deemed abandoned.

Step #5: Publication and Registration

Assuming the Examining Attorney has found no defects in the application, or that the applicant has responded satisfactorily to all office actions, the trademark is then "published" in the PTO's Official Gazette. Publication is used by the PTO to place the public on notice of the PTO's preliminary approval of the registration of the mark and the PTO's intent to register the mark, unless the registration is opposed. The date of publication is the "trigger" date for the commencement of the opposition period. During the opposition period, any party who believes he will be injured by the registration of the applicant's mark has 30 days in which to file a "Notice of Opposition" with the PTO. If the PTO receives a Notice of Opposition from an opponent during the opposition period, the applicant will be sent a copy of the Notice, at which point the applicant has two choices: (i) abandon the application; or (ii) defend the registration in formal opposition proceedings before the Trademark Trial and Appeal Board (the "TTAB").

If no Notice of Opposition is filed within the thirty-day opposition period, the PTO will register the mark on the Principal Trademark Register and give the mark a registration number. Upon federal registration of the trademark, the registrant may then use the familiar "R-in-a-circle" ® superscript in connection with the trademark (in lieu of the "TM" superscript) as a means of placing the public on notice of the mark's federal registration.

A Note on Intent-to-Use Registration Procedures

While obtaining a U.S. Trademark Registration requires actual use of the trademark in connection with a specific set of goods and services, the PTO allows the filing of an "Intent-to-Use" application in order to preserve your rights in a mark that you plan to use in the near future. The requirements for obtaining a registration for an intent-to-use application are the same as those for any other application except that a specimen of the mark on the goods is not required until later in the process. The examination of an intent-to-use application proceeds in much the same manner as a standard trademark application, including the issuance of Office Actions, if appropriate. Once the Examining Attorney

has concluded that an intent-to-use mark appears to be entitled registration, the Examining Attorney will publish the mark for opposition as described above. If a mark clears the publication period without opposition, the PTO will issue a "Notice of Allowance" for the mark. The applicant then has three years from the date of a Notice of Allowance to prove actual use of the mark in commerce. If the applicant cannot show use immediately, extensions of time may be filed at six- month intervals during this three-year period (up to five extensions can be requested). By the end of the three years, the application will be abandoned if a Statement of Use has not been filed. If the applicant is still intending to use this mark in commerce, a new application must be filed and will receive a new filing date.

6. What Steps Must I Take to Maintain My Trademark Registration in the U.S.?

In order to maintain a trademark registration, the owner must show continued and exclusive use of the mark in connection with the goods and services identified in the registration and file all necessary maintenance filings with the PTO. U.S. trademark laws require that a Section 8 Declaration of Use be filed between the fifth and sixth year following the date of registration, along with a specimen showing the mark as used in connection with the goods/services. In addition, Section 15 of the Trademark Act provides that if a mark meets certain other statutory criteria, you may also file a Declaration of Incontestability entitling the mark to favorable legal presumptions related to its validity, use and ownership.

Beyond the Section 8 &15 filings, trademark renewal filings are due every ten (10) years from the anniversary of the registration date and require that you prove continued use of the mark in commerce in the form of a specimen showing use of the mark on the goods or services. The renewal fee for a federal trademark application is on the order of a few hundred dollars for each class of goods or services.

7. Does my U.S. Federal Trademark Registration Provide me Protection in Other Countries?

Unfortunately, no. You must file trademark registrations in each country where you want protection and where you intend to sell your goods or services.

The only benefit that a U.S. Registration provides internationally is gaining an early priority date in very limited cases. Within six (6) months of filing a U.S. trademark application filing, a U.S. applicant may file in most foreign countries and secure priority filing based upon their U.S. filing date under the Paris Convention. If the company has the intention of using the mark in countries outside of the U.S. and wishes to seek trademark/service mark protection in these alternate countries, foreign applications filed within this six month period are given the same date of filing as the U.S. application. Foreign filing can be conducted after the six month period has elapsed, however, no claim of priority can be made based upon the U.S. application date in such cases.

The main difference between trademark rights in the U.S. vs. many other countries is the lack of recognition of “common law” rights in un-registered marks except in very limited cases. As a result, any entity or person who is “first to file” a trademark application in certain countries, will be awarded protection, even if such registrant has no immediate intent to use the mark and/or the registrant registered the mark in bad faith to profit from a foreign entity’s goodwill in a brand. In consequence, trademark piracy is well-organized and rampant in many countries, particularly China. If a company has plans to enter the Chinese market, even if those plans are somewhat distant, filing as early as possible, before your company has received extensive press and media recognition in the U.S., can avoid trademark piracy issues later.

8. Can I Ever Lose My Rights in My Trademarks?

Yes. It is possible for owners to unintentionally lose rights in their trademarks. Non-Profit and Social Business Start-Ups can be particularly vulnerable to the first of the three issues noted below:

a) Uncontrolled or “Naked” Licensing.

“Naked Licensing” means failing to exercise actual control over third parties (such as volunteers or other non-profit organizations) who use your trademarks, logos, business name and slogans and failing to require third parties to enter into trademark license agreements with you containing quality control provisions. Non-Profits and Social Businesses are particularly vulnerable to losing their trademarks on these grounds due to the nature of their reliance on volunteers and other organizations that offer free help. For example, in one particular case, a non-profit in California established a program it called “Freecycle.” In its early stages the non-profit allowed individual volunteers and volunteer member groups to use the “Freecycle” name on their social media, websites, and other materials in order to establish “Freecycling” centers. Later, as the program became more successful, the original non-profit tried to establish more specific standards and guidelines to be enforced on all its volunteer member groups, including guidelines on what was meant by its original rule: “free, legal and appropriate for all ages.” The non-profit attempted to stop member groups that did not follow the newly reinforced guidelines, but was blocked on the grounds that the term “freecycle” had become unprotectable (or generic) due to: (1) the non-profit’s failure in having any adequate trademark license agreements in place with its member volunteers; and (2) the non-profit’s failure in taking any actual steps to enforce its guidelines on its volunteers until much too late (i.e., early audits of its volunteer’s adherence to its guidelines and termination of those in non-compliance).

Important Rule: Prior to granting any third party (including volunteers) the right to use your marks, name or logo, always make sure: (1) a license agreement is in place that contains a provision allowing you to terminate the third party’s use of your trademarks in the event they fail to adhere to your quality control requirements/guidelines, and (2) you have an active compliance program that monitors uses of your licensed marks by third parties, including a procedure to terminate those who fail to comply with your guidelines.

b) Failing to Use the Mark in a Consistent Manner with Goods and Services Listed in the Registration.

In order to maintain a U.S. trademark registration, owners need to be able to show use of the mark in the identical form originally filed with the USPTO (especially if the mark is filed in a stylized design or logo format). If the owners cannot show consistent and continuous use of a particular mark for the set of goods or services listed on its registration, the owner may lose rights in that particular registration and the PTO will not allow the mark to renew. Failing to use a mark for three consecutive years constitutes abandonment. Companies can sometimes inadvertently lose rights in a trademark due to inconsistent use of the mark. For example, if an owner files its mark in connection with a particular product, such as downloadable software, but fails to consistently use the mark on the software itself or the labels, packaging or point of sale displays for the software, the owner can potentially lose its rights in the mark, even if there is digital advertising of the product on social media or websites. The PTO consistently does not consider use of the mark on advertising or websites alone as “trademark use.” As a result, it is important to ensure that you have consistent use of your marks in connection with the actual product itself or service you offer.

c) Failure to Enforce Your Rights in Your Mark Against Third Parties.

Similar to Naked Licensing, failure to enforce your rights in your marks against third parties that use a same or similar mark in connection with similar or identical goods and services as yours can result in loss of your rights. The following section covers methods of enforcing your rights.

9. How do I Enforce My Rights in My Trademarks?

Enforcement of your mark against third party infringers is important in order to maintain exclusive rights in a particular mark for your relevant goods and services. That said, it is important to consult an attorney and/or conduct investigations prior to making any demands on a potential infringer to confirm that you are in fact the more senior user of the mark in time and to confirm that you have solid grounds of objection. Since trademark rights in the United States are based on who adopted and used the mark in commerce first in connection with a particular set of goods/services, an earlier trademark registration may not be enough to stop a third party who has “common law” usage rights that pre-date both your filing date and date of first use. Further, if the potential infringer’s goods and services are sufficiently different from yours, you may have no grounds to make an objection (e.g., Delta Air Lines peacefully coexists with Delta Faucet without confusion).

Enforcement may include any of the following steps:

- use of a watch service to monitor trademark applications by third parties;
- conducting periodic internet searches of your mark or using “Google Alerts” to alert you of any articles or websites that might mention your trademark;
- filing opposition/cancellation proceedings with the USPTO against pending trademark applications/registrations by third parties;

- sending cease-and-desist letters (after appropriate investigation has been conducted to confirm use dates);
- infringement and dilution litigation.

Copyrights

1. What Can Be Protected by Copyright?

Copyright law protects *original works of authorship*, such as literary works, musical works, dramatic works, pictorial and sculptural works, motion pictures, audiovisual works and architectural works.

The type of artistic expression protected by copyright law is broad, ranging from the familiar to the less expected, including software, artwork, cartoons, posters, fabric designs, games, puzzles, collages, toys, bumper stickers, jewelry designs, sculpture, stained glass designs, technical drawings, architectural drawings, weaving designs, plays, movies, choreography, and even pantomime.

2. What is not protected by copyright?

Ideas cannot be protected under copyright law. Neither can discoveries, principles, formulas, procedures, processes, systems, methods of operation, and concepts. Also, words, symbols, titles, slogans and short phrases cannot be copyrighted (but as discussed in the preceding section, can potentially be protected under trademark law).

Under copyright law, you, as the copyright owner, have the *exclusive* right to make copies, prepare derivative works, sell or distribute copies, and display the work in public. Anyone else doing so, without permission, will infringe upon those intellectual property rights.

3. What type of notice do I need to provide?

Prior to March 1, 1989, it was required that the copyright owner place a “copyright notice” on all works that were *published*. Omitting the notice on a work published before that date would mean the work lost copyright protection (unless the omission was cured within five years following publication).

Copyright notices must include *three* components:

- The word “Copyright” or the © symbol;
- The date of publication; and
- The copyright owner’s name.

For example: “© 2018 John Smith” or “Copyright 2018 John Smith.”

For works created on or after March 1, 1989, use of the copyright notice is optional. So, as the creator, are you required to put the copyright notice on your work? *No*. Is it a good idea to do it anyway? *Yes*.

At the very least, placing the copyright line may prevent your copyrighted material from being stolen by someone else who does not understand you claim copyright to that work. (Also, for maximum protection and ability to collect damages, you should also file your created work with the Copyright Office).

Publication is achieved when there is distribution of the copies of the work, by sale, rental, lease or lending. Even the offering of copies for distribution or display constitutes publication; however, when only a single work exists, such as an original painting or a unique sculpture, public display does not constitute publication. Publication is an important concept, as it will impact the type and number of copies that will need to be submitted when copyright registration is applied for.

4. How long does a copyright last? What happens after that?

The simple answer is that, for any qualifying work *created on or after January 1, 1978*, *copyright protection lasts for the life of the author plus an additional 70 years*.

If you are looking to use someone else's creative work in any way, determining when a copyright expires can be important; upon expiration, the work is in the *public domain* and you can freely use it. However, depending on when a work was created, calculating the duration of the copyright is not as easy to answer as it might seem. To answer it, you may need to explore multiple versions of the U.S. Copyright Acts, including the 1909 Act, the 1976 Act, and the 1998 Sonny Bono Copyright Term Extension Act, looking at when each copyright period started and when it expired.

For works created before January 1, 1978, each work was protected by a common law copyright when it was created, which ran until the work was published. Upon publication, the owner had to comply with the 1909 Act requirements (including affixing a copyright notice to the work); if not, the work entered the public domain. If federal copyright protection was secured, the copyright ran for 28 years, with a potential renewal of another 28 years (with another possible extension under a later Act).

The Copyright Act of 1976, which is now the basis for U.S. copyright law, changed the starting point of copyright protection from date of *publication* to the date of *creation*. Under the 1976 Act, copyright protection generally lasted for the life of the author plus an additional 50 years, or 75 years from creation for corporate authorship (such as by the studio of Disney artists).

As if that wasn't enough complexity, the 1998 Copyright Term Extension Act added another twist, extending protection of the author to life plus 70 years, and for works of corporate authorship to 120 years after creation or 95 years after publication, whichever is earlier.

At some point, however, copyrights expire...and when they do, they cannot be renewed. At that point, the work is available for use by anyone, anytime, anywhere, without restriction.

So, what is the bottom line when calculating the life of a copyright? Generally speaking,

- For works created on or after January 1, 1978, copyright protection lasts for the life of the author plus an additional 70 years (or for corporate authorship, 120 years after creation or 95 years after publication).
- A work published before January 1, 1923 would have received, at most, 75 years of protection. With that in mind, any work published before January 1, 1923 would have now entered the public domain.
- Works which fall in between these dates need to be reviewed on a case by case basis, as numerous factors will influence whether the work has entered into the public domain, including whether it was published, and if so, when it was published.

How do you find the relevant dates? In a book, the publication date should be right inside the cover. For other works, searching the Library of Congress website (www.loc.gov) can help you determine the publication dates of many creations.

One final point to keep in mind regarding public domain works...although certain works may now be in the public domain, new works incorporating the public domain work into new treatments may still be protectable under copyright law in their own right, such as Andy Warhol's contemporary images of the Mona Lisa. Before you use a work you think is now in the public domain, it is important to confirm whether it is or not. Otherwise, your actions may constitute copyright infringement.

Do I need to file something with the Copyright Office to have protection?

Copyright protection exists from the moment of creation and filing an application with the Copyright Office is voluntary. However, there are benefits to filing a copyright application such as the potential for statutory damages. Further, a copyright registration is required to file suit to enforce your copyright.

5. What is registration? How expensive is it?

Copyright registration is when you submit a completed application and file your copyright with the U.S. Copyright Office. You will receive an application number and that filing will serve as evidence of the fact that you created the work on or before your filing date. The cost to register a copyright is generally less than one hundred dollars.

6. What is infringement?

As a copyright holder, those who violate your copyright rights are *infringing* on your rights. Infringement ultimately rests on a finding of *substantial similarity* from an *ordinary observer* point of view. This "audience test" is a subjective test, and has been used by many courts and modified many ways, but it essentially asks whether someone who was not trying to determine the ways in which two works differed would generally overlook those differences and regard the two works as the same. Put another way, it asks whether the defendant wrongfully copied so much of the plaintiff's work to cause the average person to immediately see the two works as similar, without anyone suggesting to that person how the works are similar.

FIVE COPYRIGHT MYTHS

There are a number of myths that exist about copyright law. Maybe these myths are based on outdated law, or maybe they were just made up by copyright infringers trying to rationalize their conduct — either way, these myths are widely held, and are wrong. So, let's clear up a few of them:

Myth #1: If I don't make any money from it, it's not copyright infringement.

While not making any money may decrease the amount of monetary damages awarded to the rightful copyright owner, it won't eliminate them. Damage has still been done by your infringement. Imagine that you copied your favorite Bruce Springsteen album for all your friends. While you might have meant well (and made your friends happy), the result is that none of your friends need to buy the album any more...so Bruce and his E Street Band just lost out on all of those sales. Bruce is unhappy, and you have a problem. **Truth #1: *Infringement is the act of copying it, not the selling of it.***

Myth #2: If I copy 20% or less, it's not copyright infringement.

This is the “*it's not stealing if I only steal a little bit*” defense. Unfortunately, there's no clear cut rule about exactly how much of the prior work you can use before it becomes infringement.

Whether it's 5%, 10%, 5 notes, 1 sentence, or making it in a different size, the real test is if a “reasonable person” would find your work to be “substantially similar” to the original. Since “reasonable person” and “substantially similar” tests are decided based on the unique facts of the case, relying on the “*I only used a little bit*” defense requires some real unbiased evaluation first. **Truth #2: *There's no standard measurement for how much is “safe” to use vs. how much equals infringement — it all depends on the facts.***

Myth #3: If there's no copyright notice, there's no copyright protection.

If the work was created in the last 35 years or so, even if the creator leaves off the © line, the creator still has a copyright on her original content from the time of creation...automatically. **Truth #3: *No copyright notice may be required. Never assume the work is public domain...do your research!***

Myth #4: If I give credit to the copyright owner, it's not copyright infringement.

Sorry — just identifying who you stole it from doesn't make it right. Controlling the use of the original work is exactly what the owner has a right to do. What kind of law would it be if you could get around it simply by referencing the original creator? If you need to use part of someone else's work, get permission. **Truth #4: *Giving credit is nice, but it's not enough.***

Myth #5: If I hire someone to create an original work, I own the copyright.

Maybe. In the case of your employee...yes. But it's not necessarily true if you hired an independent contractor for same exact project. This question is a tricky one, and one you probably want to seek further legal guidance on.

Let's assume you hired an artist to paint a portrait of your cat. Who owns it? Without a contract otherwise, you may own the actual painting, but the painter owns the copyright. Can the painter do anything with the image he wants (such as make and sell posters)? Most likely. One more note for those of you familiar with the independent contractor "*work made for hire*" concept...it is only operative in certain circumstances, so without other language clearly assigning ownership of all copyrights to you, it still may not be enough, even if you specify that the work is "work made for hire." **Truth #5: *He who pays for the creation and he who owns the copyright are not necessarily the same person.***

Trade Secrets

Virtually every company has intellectual property assets, including trade secrets. Is there something that you think gives your company an advantage because other companies do not have that information? If so, you may have a trade secret.

Trade secrets can take a variety of forms, but generally involve information that is not publicly available. Examples can include customer lists, manufacturing methodologies and other business "know how" that are valuable because the information is closely held by the company. Unlike patents, trade secrets do not have a specific term. They are a trade secret so long as they are properly maintained as a secret.

Trade secrets are governed by both state and federal law, depending on the violation. The Uniform Trade Secrets Act ("UTSA") has been adopted by at least 40 states.

The UTSA defines a "trade secret" as:

- information, including a formula, pattern, compilation, program, device, method, technique, or process;
- that derives independent economic value, actual or potential, from not being generally known to or readily ascertainable through appropriate means by other persons who might obtain economic value from its disclosure or use; and
- is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Obviously, a trade secret must be a "*secret*" to begin with. But how is that decided? Several factors help determine if certain information rises to the level of a trade secret:

- the extent to which the information is known outside of that particular business;

- the extent to which it is known by employees and others involved in that particular business;
- the extent of the measures taken by the business to guard the secrecy of the information;
- the value of the information to that particular business and to its competitors;
- the amount of effort or money expended by the business in developing the information; and
- the ease or difficulty with which the information could be properly acquired or duplicated by others.

Suggested Organizational Steps to Protect Trade Secrets

Have your employees *sign confidentiality agreements*, and *remind them regularly* about the assets the company considers to be trade secret. This goes a long way in protecting valuable trade secret information.

Enforcement

If a trade secret exists, someone who discloses or uses it without a right to do so may be liable, if:

- he discovered the secret by improper means, or
- his disclosure or use constitutes a breach of confidence placed in him by the other in disclosing the secret to him, or
- he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or
- he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.

In the event there is a *misappropriation* of your trade secrets, you may be entitled to *injunctive relief* (where the court orders the other party to stop using the trade secrets), *damages* (where the court orders the other party to pay you money) and possibly even repayment of your *attorney's fees* (when the court finds that the misappropriation was willful or malicious).

However, not all uses of your trade secrets by someone else are illegal. Trade secrets can be obtained by lawful means, such as independent discovery, reverse engineering, or disclosure that results from the trade secret holder's failure to properly protect the trade secret.

Relationship to Patents

Sometimes, such as with equipment designs, your trade secret might also qualify as a patent; other times, such as with customer lists, it will not. Assuming that filing a patent is an option, what are the advantages and disadvantages?

Compared to patents, maintaining information as a trade secret can be less expensive (no registration costs) and provides an unlimited term of use. However, unlike patents, if someone legally discovers the same process at a later time, you will not be able to prevent them from using that process (while you would have the right to do so if it was patented). Also, as the holder of a patent, you have the opportunity to license that know-how to another party; doing so with a trade secret is much more difficult.

Don't underestimate the value of your trade secret assets. You would never turn over your customer list to a competitor, so don't overlook protecting the trade secrets of your business.

IP Provisions in Company Agreements

It is recommended that company agreements (e.g., licenses, joint ventures agreements, employee agreements, independent contractor agreements, non-disclosure agreement (NDA), memoranda of understanding (MOU) etc.) that affect ownership and/or other intellectual property rights be reviewed by an intellectual property attorney and/or be considered with regard to recordation at the U.S. Patent and Trademark Office (PTO).

Trademark License Agreements. As noted in the trademark section, any time you allow a third party to use your trademarks and/or logos, it is important to have a license agreement in place and a compliance program that routinely monitors third party use of your marks to ensure your quality control standards and guidelines are met. The license agreement should contain a specific provision that requires each third party licensee to adhere to your quality control standards and guidelines and a provision that gives you, the licensor, the unilateral right to terminate any licensee that violates such standards and guidelines.

Agreements with Independent Contractors. Under copyright law, in order for a company to own the copyright in a work created for company by anyone other than a regular employee of company, there must be an assignment (transfer of ownership) of the copyright, in writing, from that person or entity to the company.

Liability Insurance

Many business insurance policies will cover trademark infringement damages, and may cover copyright and/or patent infringement damages in certain circumstances. If a company is sued on an intellectual property matter, the company may need to file a claim with its insurance carrier within a short period of time to avoid losing coverage. Therefore, in the event a company is ever sued, the company should review its current policy as soon as possible thereafter, with a lawyer knowledgeable in this area, to determine the policy's coverage.