INTELLECTUAL PROPERTY

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1. Types of Intellectual Property

a. Trademarks or Service Mark

A trademark is a word, phrase, symbol or design, or a combination of words, phrases, symbols or designs, that identifies and distinguishes the source of the goods of one party from those of others

A service mark is any word, name, symbol, device or combination thereof used to identify and distinguish the services; and to indicate the source of the services.

b. Patents

A patent for an invention is the grant of a property right to the inventor, issued by the United States Patent and Trademark Office. Generally, the term of a new patent is 20 years from the date on which the application for the patent was filed in the United States or, in special cases, from the date an earlier related application was filed, subject to the payment of maintenance fees. U.S. patent grants are effective only within the United States, U.S. territories, and U.S. possessions. Under certain circumstances, patent term extensions or adjustments may be available.

The right conferred by the patent grant is "the right to exclude others from making, using, offering for sale, or selling" the invention in the United States or "importing" the invention into the United States. What is granted is not the right to make, use, offer for sale, sell or import, but the right to exclude others from making, using, offering for sale, selling or importing the invention.

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There are three types of patents:

1) Utility patents may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof;

2) Design patents may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture; and

3) Plant patents may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

c. Copyrights

Copyright is a form of protection provided to the authors of "original works of authorship" including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. The 1976 Copyright Act generally gives the owner of copyright the exclusive right to reproduce the copyrighted work, to prepare derivative works, to distribute copies or phonorecords of the copyrighted work, to perform the copyrighted work publicly, or to display the copyrighted work publicly.

The copyright protects the form of expression rather than the subject matter of the writing. For example, a description of a machine could be copyrighted, but this would only prevent others from copying the description; it would not prevent others from writing a description of their own or from making and using the machine. Copyrights are registered by the Copyright Office of the Library of Congress.

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d. Trade Secrets

Any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. Trade secrets encompass manufacturing or industrial secrets and commercial secrets. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret.

UNIFORM TRADE SECRETS ACT

§1. Definitions

As used in this Act, unless the context requires otherwise:

(1) "Improper means" includes theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic or other means.

(2) "Misappropriation " means: (i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (ii) disclosure or use of a trade secret of another without express or implied consent by a person who (A) used improper means to acquire knowledge of the trade secret; or (B) at the time of disclosure or use knew or had reason to know that his knowledge of the trade secret was (I) derived from or through a person who has utilized improper means to acquire it; (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or (C) before a material change of his position, knew or had reason to know that it was a trade secret ad that knowledge of it had been acquired by accident or mistake.

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(3) "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity.

(4) "Trade secret" means information, including a formula, pattern, compilation, program 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.

2. Infringement

Trademark Infringement

One user of a Mark unfairly competes with another user of the Mark by adopting and using a trademark that is confusingly similar to the prior adopted and used trademark of the first user. The basis of a trademark infringement case is the likelihood of confusion—that is, if the use of the Mark by second user causes a likelihood of confusion in the mind of a relevant purchaser.

Statutes

15 U.S.C. Section 1114:

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for

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sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

(c) shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

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(2) Notwithstanding any other provision of this chapter, the remedies given to the owner of a right infringed under this chapter or to a person bringing an action under section 1125 (a) or (d) of this title shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125 (a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510 (12) of title 18, the remedies of the owner of the right infringed or person bringing the action under section 1125 (a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 1125 (a) of this title with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining

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the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(I) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in sub clause (II), for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

(II) A domain name registrar, domain name registry, or other domain name registration authority described in sub clause (I) may be subject to injunctive relief only if such registrar, registry, or other registration authority has—

(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court's

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control and authority regarding the disposition of the registration and use of the domain name;

(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or

(cc) willfully failed to comply with any such court order.

(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

(i) in compliance with a court order under section 1125 (d) of this title; or

(ii) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.

(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages,

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including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

(iii) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii) (II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this chapter. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.

(E) As used in this paragraph—

(i) the term "violator" means a person who violates section 1125 (a) of this title; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 1125 (a) of this title.

Patent Infringement

To determine whether a patent is infringed two steps are necessary. First, the claims of the patent are analyzed. Second, the claims of the patent must "read on" the accused device or process. This means that the device or process is examined to see if it is substantially described by the claims. The claims are tested to see whether they describe the accused infringement.

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Patent Infringement can be direct, indirect, or contributory**.** Anyone who makes, uses, or sells the patented invention is a direct infringer. One actively encouraging another to make, use, or sell the invention is liable for indirect infringement. Contributory infringement can be committed by knowingly selling or supplying an item for which the only use is in connection with a patented invention. Good faith or ignorance is no defense for direct infringement, but it can be for indirect or contributory infringement.

Statutes 35 U.S.C. 271

35 U.S.C. Section 271(a)

Direct infringement occurs when your company makes, uses, sells, offers to sell, or imports a product or process that infringes someone else's patent.

35 U.S.C. Section 271(b) states:

Whoever actively induces infringement of a patent shall be liable as an infringer.

35 U.S.C. Section 271(c) states:

Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer.

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Copyright Infringement

Copyright is a form of protection provided by the laws of the United States (title 17, *U. S. Code*) to the authors of "original works of authorship," including literary, dramatic, musical, artistic, and certain other intellectual works. This protection is available to both published and unpublished works. Section 106 of the 1976 Copyright Act generally gives the owner of copyright the exclusive right to do and to authorize others to do the following:

1. To reproduce the work in copies or phonorecords;

2. To prepare derivative works based upon the work;

3. To distribute copies or phonorecords of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

4. To perform the work publicly, in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works;

5. To display the work publicly, in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work; and

6. In the case of sound recordings, to perform the work publicly by means of a digital audio transmission.

In addition, certain authors of works of visual art have the rights of attribution and integrity as described in section 106A of the 1976 Copyright Act. It is illegal for anyone to violate any of the rights provided by the copyright law to the owner of copyright. These rights, however, are not unlimited in scope.

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Title 17 § 501. Infringement of copyright

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section 106A (a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be. For purposes of this chapter (other than section 506), any reference to copyright shall be deemed to include the rights conferred by section 106A (a). As used in this subsection, the term "anyone" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.

(c) For any secondary transmission by a cable system that embodies a performance or a display of a work which is actionable as an act of infringement under subsection (c) of section 111, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that television station.

(d) For any secondary transmission by a cable system that is actionable as an act of infringement pursuant to section 111 (c) (3), the following shall also have standing to sue:

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(i) the primary transmitter whose transmission has been altered by the cable system; and

(ii) any broadcast station within whose local service area the secondary transmission occurs.

(e) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work embodied in a primary transmission and is actionable as an act of infringement under section 119 (a)(5), a network station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that station.

(f)

(1) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work embodied in a primary transmission and is actionable as an act of infringement under section 122, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local market of that station.

(2) A television broadcast station may file a civil action against any satellite carrier that has refused to carry television broadcast signals, as required under section 122 (a) (2), to enforce that television broadcast station's rights under section 338(a) of the Communications Act of 1934.

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Trade Secret Misappropriation

Most states have adopted the Uniform Trade Secrets Act, which was drafted by the National Conference of Commissioners on Uniform State Laws in 1970 and amended in 1985.

The Uniform Trade Secret Act defines a trade secret as:

information, including a formula, pattern, compilation, program device, method, technique, or process, that: (i) derives independent economic value, actual or potential, from not being generally known, 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.

According to the Uniform Trade Secrets Act, misappropriation is defined as:

(i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (ii) disclosure or use of a trade secret of another without express or implied consent by a person who (A) used improper means to acquire knowledge of the trade secret; or (B) at the time of disclosure or use knew or had reason to know that his knowledge of the trade secret was (I) derived from or through a person who has utilized improper means to acquire it; (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or (C) before a material change of his position, knew or had reason to know that it was a trade secret ad that knowledge of it had been acquired by accident or mistake.

The Uniform Trade Secrets Act defines “improper means” to include “theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic or other means.”

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3. Steps to Avoid Infringement

a. Trade mark or Service Mark Infringement

The first step in avoiding trademark or service mark infringement is to avoid intentional copying of a package, slogan, or Mark. Stay away from Marks or packaging that is similar to your competitors, or other parties.

The second step is to have a trademark search performed once you have determined a mark you may want to use. A preliminary search of the US Patent and Trademark Office database will quickly tell you whether a Mark is unavailable or a follow-up more thorough search is necessary. One should also search the Internet with one of the leading search engines to make a determination of what is not available.

Trademark rights are based on use. Therefore, someone is using the Mark in a geographic location before your use of the Mark, or their having a federal registration on the Mark giving them national rights though their product is only sold in a small geographic market is a senior user of the Mark. With a federal registration of their Mark or an intent-to-use application filed by them before your use of the Mark they can challenge your attempted registration in the US Patent and Trademark Office. They can also challenge based upon their use of the Mark your attempted use of the Mark in court.

A more comprehensive search of the Mark reviews state registrations, corporate name databases, various trade and telephone directories, and domain name registrations including websites in addition to the US Patent and Trademark Office records. This more comprehensive search helps to weed out prior users of the Mark who did not obtain a federal registration of their Mark. Remember if a Mark was used in a certain geographic area before your use of the same or a similar Mark, the prior user has senior rights.

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While not full proof, having a thorough search performed avoids costly challenges either in the US Patent and Trademark Office, or Court, but also avoids disruption in a company's marketing plans and the loss of goodwill from the advertising and sales under a Mark the company may not be able to use if the Mark is challenged and they lose.

b. Patent Infringement

Similar to the steps to avoid Trademark or Service mark infringement, one can avoid patent infringement by searching the U.S. Patent and Trademark Office for similar patents to your invention. The search should uncover unexpired patents related to your invention to determine if the manufacture, use, selling, or offer to sell your invention is infringing someone else's patent. Two things to keep in mind, is patents are exclusionary, and independent creation is not a defense. By exclusionary, while patents do not grant the right for someone to use their invention, it does grant the right for someone to exclude another party from using their invention. What this means is one patent could be infringing on another patent.

A patent search will not help you avoid all potential liability. Pending patent applications cannot be searched in the U.S. Patent and Trademark Office for eighteen (18) months. A patent watch program is a part of many sophisticated companies. This helps keep a company aware of its competitor's patents, or patents in a specific technology. Patents found through the search and/or a watch program are reviewed to determine the boundaries of what they protect. A company will or should compare its product line to what is covered in a newly issued patent of its competitor. Since a patent issues with a set of claims, and the claims define the boundary of the protection afforded the invention by the patent. One can attempt to design around the claims and their equivalents to avoid infringement. The history of the patent can also be obtained from the U.S. Patent and Trademark Office to help determine what is not protected by the

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patent, and figuring out the scope of the claims and their equivalents. Determining what is equivalent is a tricky proposition.

c. Copyright Infringement

Substantial liability can be incurred for copying copyrighted works without permission. Criminal sanctions can also be incurred. Several steps can be taken to avoid copyright infringement. First, examine the copyrighted work to see if there is a copyright notice on the item, a place and date of publication, and the author's name and publisher. Like Trademarks, and Patents, a search of the Copyright Office can be made. The Copyright Office is part of the Library of Congress. There are also professional search firms that can perform a search in the Copyright Office. Beware that the absence of records in the Copyright Office does not mean the Work is unprotected. An example is unpublished works before 1978 were entitled to protection without registration. A work may have also been registered as part of another Work or under a different title. Unlike patents, independent creation is a defense in copyright litigation. To be found liable in a copyright infringement suit, a two part test is used by the courts. The first part is access to the copyright protected work, and the second part is a determination of substantial similarity. The comparison is based on the expression of the two works, not the ideas they incorporate.

1. Fair Use is also a defense of copyright infringement, but is very limited. This defense is available in a commercial setting but is extremely limited. Factors a court weighs in its determination include how close the copy is the seminal or core of the copyrighted work, the amount and substantiality of the work that was used in the copy compared to the whole of the copyrighted work, and the effect on the use of the copied work upon the market or value of the copyrighted work.

2. Work Made For Hire is a doctrine developed in Copyright Law that applies to nine statutorily defined categories. The nine categories include a work "specially

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ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas.." 17 U.S.C. Section 101(2). Also, necessary for this doctrine to apply is that the two parties have signed a written instrument memorializing the work commissioned is a work made for hire. The Copyright Act in Section 101 defines a work made for hire as either: (1) a work prepared by an employee within the scope of his or her employment, or (2) a work specially ordered or commissioned, 17 U.S.C. Section 101(2). In the case of an employee, the employer or other person for whom the work was prepared is considered the author for purposes of the Copyright Act. Copyright Ownership is extremely beneficial and in this day and age with outsourcing on the rise, where companies are relying on consultants, and independent contractors for such things as software, artwork, photographs, and many other services. It is important to take ownership of such works so one can advantage of the rights afforded the copyright owner and avoid liability for infringement if it were to use the copyrighted work or the independent contractor without having permission or having obtained ownership.

To avoid copyright infringement one can seek permission from the copyright holder. A licensing organization (such as ASCAP or BMI for music composers) may handle copyright permissions for their owners. Photocopying can be copyright infringement, one can consider purchasing additional subscriptions, or reprint rights from the publisher.

Expressing the idea in one's own words, since copyright protects only the expression, and not the ideas or facts, will also avoid copyright infringement. Also works in the public domain can be used, but one must guard against the work in the public domain where there is substantial similarity between the two works. For example, where a movie is in the public domain, but the book is still protected by copyright.

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d. Trade Secret Misappropriation

Steps to help avoid misappropriation include doing independent research, deriving needed information form publications, and not copying products in the market place before determining whether a special type of know-how was required. When hiring a new employee or consultant to review any non-competition agreements, and inquire whether they are subject to a confidentiality agreement in a specific field.

4. Conclusion

IP audits have several purposes behind them, besides determining what IP assets are owned by the company, the audit helps to determine what IP the company may have licensed to others, and what IP it has licensed. Further as the import of this paper demonstrates the purpose of an IP audit is also to help a company avoid infringement. An audit not only looks at the patents, but any related contracts, agreements and business practices in order to identify areas where a company has risk. For example, if a company has utilized work for hire agreements to help protect the IP they created with the help of consultants, or independent contractors. The work for hire agreement is probably not sufficient by itself, because if it was software that was developed under US copyright laws, software is not covered by those agreements. Remember there are nine (9) statutorily defined categories that the work made for hire doctrine protects. The consultant or independent contractor may then be entitled to a percentage of royalties, and may also be able to license the IP to other parties. An audit would have flagged it, and pointed out that assignments should be in place with employees and consultants so the company clearly owns it. An audit also helps identify what if any areas a company could be infringing on a competitor's IP. The company can then take steps to avoid the infringement, or place itself in a better position for responding if taken to court by the competitor. A question that often comes about in this situation is what leverage (IP) do we have that we can shoot back with. While a search for defensive patents might help counter the suit, the IP audit can help a company find this potential problem in their IP portfolio so the problem is resolved before a lawsuit. The IP audit

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helps a company deal with business decisions. An audit can help avoid potential antitrust issues. An IP audit can enable a company to accurately assess an IP's portfolio value in a potential merger. An audit can help identify IP that can be used to generate licensing revenue. Companies of all sizes can benefit from an IP audit. Generally, a small company may only have one or two pieces of IP that they rely on, and if a company is looking for additional capital or investment the ability to succinctly state what and how their IP is protected can have a significant impact on the potential lender or investor. It also demonstrates you know what you have and what you don't.

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