

INTELLECTUAL PROPERTY BASICS

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Many of this paper's sentences have an endnote. The endnotes are cumulatively longer than the paper. If you have a question about a sentence with an endnote, look at it. If your version does not have endnotes, the paper with endnotes is at <https://www.jw.com/intellectual-property-basics/>.

I. INTRODUCTION

You can buy or sell breakfast or a toaster without a lawyer. Business law is based on common sense. Intellectual Property¹ (“IP”) is different. Common sense does not always apply to IP. This is dangerous because IP can be a valuable competitive advantage, *e.g.*, the MCDONALD’S trademark, Coca-Cola’s trade secret formula, Microsoft’s copyrighted software and IBM’s patents.

Not creating valuable IP is inexcusable because often only minor steps are required. The best foundation for inexpensively creating valuable IP is: (1) identify your existing and desired IP; and (2) pretend you are on the witness stand using The Rules to prove you own it. This reveals an important universe and teaches you how to win there.

IF YOU DO NOT KNOW THE RULES, THE HARDER YOU WORK, THE MORE YOU WASTE.

II. TRADEMARKS

Rule #1: TRADEMARK PRIORITY

1. **Trademark Rights.** The only ways to acquire the exclusive right to use a mark are to (a) be the first to properly use it in the trade area,² or (b) make others “**knowing junior users.**”³ Neither incorporation nor assumed name registration give you priority against others using your business’ name or even give you the right to use it in public.⁴

Office of the Secretary of State
CERTIFICATE OF INCORPORATION
OF

Your Company’s Name, Inc.
Filing Number: 123456789

The undersigned, as Secretary of State of Texas, hereby certifies that Articles of Incorporation for the above named corporation have been received in this office and have been found to conform to law.

Accordingly, the undersigned, as Secretary of State, and by virtue of the authority vested in the Secretary by law, hereby issues this Certificate of Incorporation.

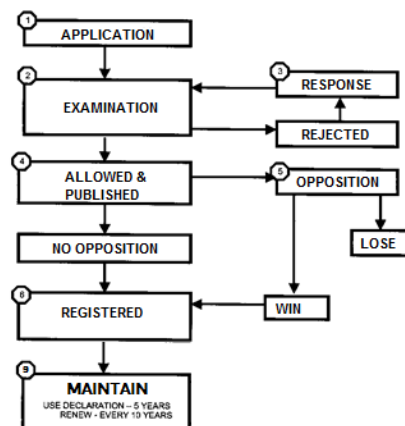
Issuance of this Certificate of Incorporation does not authorize the use of a name in this state in violation of the rights of another under the federal Trademark Act of 1946, the Texas trademark law, the Assumed Business or Professional Name Act, or the common law.

[Most people do not read the third paragraph]

2. **Trademark Priority.** To determine “trademark priority,” apply your facts to the “Knowing Junior Users Lose” Rule.⁵ A Junior User knows of the Senior User’s⁶ use if: (1) actual notice: The Junior User actually knew of the Senior User’s prior use, or (2) constructive notice⁷: The Junior User “constructively knew” because the Senior User previously filed a federal trademark application.⁸ **Adopting a trademark without checking to see if someone else already owns it, and then registering it, is like buying a house without checking deed records and recording your deed.**

3. **Trademark Registration.** A federal trademark registration gives an exclusive right to use the mark throughout the U.S. against later users of confusingly similar marks for similar goods or services.⁹ Experience is required to obtain as useful a registration as possible.¹⁰

TRADEMARK REGISTRATION PROCESS¹¹



4. **Concurrent Use.** An innocent Junior User has exclusive rights to its trade area.¹²

5. **Foreign Countries.** U.S. trademark rights are irrelevant in foreign countries. If you do not register important marks in important countries, pirates can register your marks there and keep you out.¹³

6. **Discussion.** Do (1) not be a knowing junior trademark user - search before you adopt a new mark,¹⁴ and (2) make others knowing junior trademark users - register important marks federally and internationally.

Rule #2: MERELY DESCRIPTIVE MARKS ARE LOSERS

1. **Trademark.** A trademark is anything you use to identify and distinguish your goods and services¹⁵ from competitive goods and services.¹⁶

a. **Generic terms** define the good or service.¹⁷ They are not protectable.¹⁸ Miller’s audacious “Let’s sell ‘em diluted beer” gamble succeeded when its LITE brand created a low-calorie beer market. That success was wasted because LITE was unprotectable.¹⁹

b. **Descriptive terms** describe the good or service.²⁰ They are only protectable if the jury finds the public uses the term to distinguish your goods and services from those of your competitors rather than merely describe your goods or services.²¹ This depends on each jury’s verdict. Juries found VISION CENTER²² optical clinic and BEER NUTS²³ salted nuts unprotectable and STEAK AND BREW²⁴ restaurant and HONEY ROAST²⁵ nuts roasted in honey protectable.

c. **Suggestive terms** suggest a quality or characteristic. They are protectable and make your marketing more effective. DIE HARD batteries, SURE deodorant, MUSTANG automobile.

d. **Arbitrary or Fanciful terms** have no relationship to the good or service. They are very protectable. CAMEL cigarettes, APPLE computers, EXXON gasoline.²⁶ They give the most security and freedom to create public perceptions, if you have the resources to create a favorable public impression.

Strength	Mark	Goods	Kind	Distinctiveness
Strong	KODAK APPLE SURE	Copiers Computers Deodorant	Fanciful Arbitrary Suggestive	Inherently distinctive and protectable.
Weak	CHAMPION L.A. GEAR STEAK AND BREW	Sparkplugs Shoes Restaurants	Laudatory Geographic Descriptive	Must prove “secondary meaning” to be protectable.
Zero	LITE DISCOUNT MUFFLERS SUPER GLUE	Beer Mufflers Glue	Generic Generic Generic	Do not distinguish one maker from another. <u>Never</u> protectable.

e. **Trade Dress.** Trade dress²⁷ is nonfunctional²⁸ features that identify the good or service.²⁹ Coca Cola’s bottle, Taco Cabana’s restaurant design, and Hershey’s KISS chocolate shape make them more profitable. Trade dress can be registered.³⁰

UNITED STATES PATENT OFFICE.

HERSHEY CHOCOLATE COMPANY, OF HERSEY, PENNSYLVANIA.

ACT OF FEBRUARY 20, 1905.

Application filed January 17, 1924. Serial No. 190,926.

AFFIDAVIT SEC. 8
ACCEPTED



STATEMENT.

To all whom it may concern:

Be it known that Hershey Chocolate Company, a corporation organized and existing under the laws of the State of Pennsylvania, having its principal place of business at Hershey, Dauphin County, and State of Pennsylvania, has heretofore adopted and used the trade-mark shown in the accompanying drawing, for CHOCOLATES AND CANDY, in Class 46, Foods and ingredients of foods. No claim is made to the representation of the goods and the wrapper thereof apart from the mark as shown, the common law right to the composite mark being reserved.

The trade-mark has been continuously used in its business since August 8, 1921. The trade-mark is applied or affixed to the goods, or to the packages containing the goods, by means of a label bearing the mark, or by printing or impressing the same thereon, and in divers other ways.

HERSHEY CHOCOLATE COMPANY.
By WM. F. R. MURRIE,
President.

Could you make more money
selling chocolate with this
trade dress registration?

f. **Domain Names.** A federal trademark registration is critical for protecting your domain name.³¹

2. **Choosing and Using a Mark:**

a. **Safe Marks.** To not be a Knowing Junior Trademark User who loses (see Rule #1), proposed marks should be searched against already registered and used marks.³²

b. **Protectable Marks.** You can only protect your business, product, and service reputations if you chose protectable marks to identify them. If you chose a descriptive term, others will likely use it and you will have to pay lawyers to fight them.³³ Avoid expensive litigation, select suggestive and arbitrary marks, and register them.

c. **Marketable Marks.** A good mark gets more of the right kinds of potential consumers to try your business. A mark that gets five percent more of the right potential customers to try your business may double your profits.³⁴ (Do the compounded 5% math.)

Businesses often select marks similar to ones already used in their line of commerce – and stay lost in a crowd of peddlers. **Uniqueness gets sales.**³⁵ Instead (1) ruthlessly identify your best target audience, (2) determine its wants, (3) select one or two target wants, (4) select a story with an emotional link between the target and wants and your product – **What one thing do you want your customers to tell prospective customers?**³⁶ – and (5) then select a mark that memorably sells your story to the target audience.³⁷

A fisherman goes to the one best part of the lake and uses his one best lure.³⁸ Create and pitch your uniqueness to your best target audience with a mark that is safe, protectable, and memorably sells your one best story.³⁹

d. **Proper Trademark Use.** Tell the world the mark is yours by (1) following it with “™” or, if federally registered, “®”; (2) using it as an adjective, not a noun; and (3) making it distinctive, such as with larger typeface or a different color. Correct – COCA-COLA[®] soft drink, HOMEMADE[™] bread; Wrong – Drink Coca Cola, Homemade bread is good.⁴⁰

Rule #3: LIKELY TO CONFUSE IS TOO CLOSE
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1. **Infringement.** A trademark Plaintiff must prove (1) its mark is **protectable**, (2) **priority** vs. the Defendant, and (3) Defendant’s mark is **likely to confuse** the relevant public into thinking Defendant’s goods or services are affiliated with Plaintiff.⁴¹ The Defendant may nevertheless win by proving a defense.⁴²

2. **“The” Jury Question.** Are the marks too close? Only a jury knows.

JURY QUESTION

Do you find from a preponderance of the evidence that the relevant public is likely to be confused between Plaintiff’s mark ABC and Defendant’s mark AQC?

Answer: “Yes” or “No”: _____

OTHER TRADEMARK INFORMATION

Infringement may result in damages,⁴³ an injunction, attorney’s fees,⁴⁴ statutory penalties⁴⁵ and criminal liability.⁴⁶ Do not infringe another’s right of publicity,⁴⁷ right of privacy,⁴⁸ cause confusion or mistake concerning goods or services,⁴⁹ dilute another’s mark,⁵⁰ permit others to use your mark,⁵¹ or fail to timely record your purchase of a registered trademark.⁵² To stop infringing imports, register your mark with Customs.⁵³

**TO WIN A TRADEMARK
SUIT**

- ☐ **Priority**
- ☐ **Protectable Trademark**
- ☐ **Likelihood of Confusion**

**III.
COPYRIGHTS**

(Please see my 80-page Copyright Infringement paper at <https://www.jw.com/copyright-infringement/> for a more robust discussion.)

Rule #4: IF IT'S NOT PRIMARILY FUNCTIONAL, IT'S COPYRIGHTED

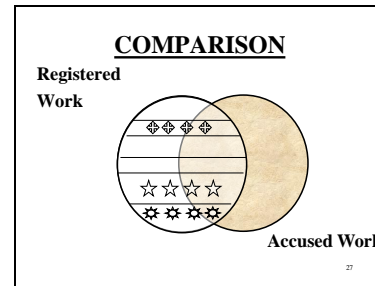
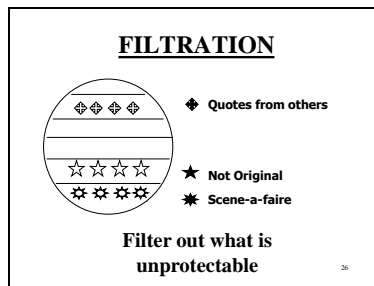
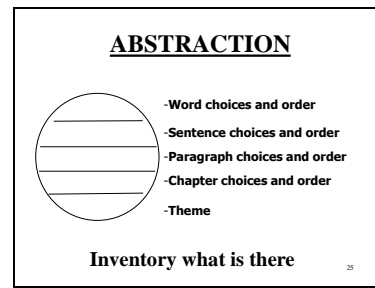
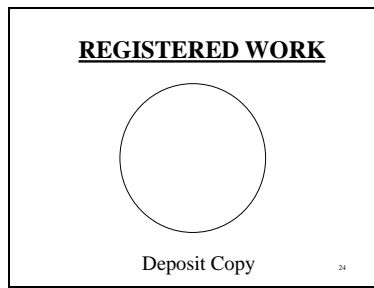
1. **Copyrightable Works.** You have lots of copyrightable works,⁵⁴ such as buildings, customer lists, drawings, software, advertisements, the non-functional shape of a product or container,⁵⁵ operations manuals, correspondence,⁵⁶ website content, etc.

2. **Copyright's Limits.** Copyright protects form, not content.⁵⁷ Facts, business forms, collections of facts without “some minimal level of creativity,”⁵⁸ works,⁵⁹ bare bones recipes,⁶⁰ and works that are the only possible expression of an idea or information⁶¹ are not copyrightable.

3. **Duration.** Life plus 70 years if the author is an individual;⁶² the earlier of 95 years from publication or 120 years from creation for works created by an employee within his or her scope of employment.⁶³

4. **Infringement.** Defendant infringes⁶⁴ if (1) Plaintiff's work is protectable,⁶⁵ (2) Defendant copied it,⁶⁶ and (3) Defendant's work is substantially similar to the protectable part of it.⁶⁷ Defendant may nevertheless win by proving a defense.⁶⁸

5. **Fair Use.** The Fair Use doctrine gives a right to copy for criticism, news reporting, parody teaching, etc. Factors considered are: (1) purpose and character of the use, (2) nature of the copyrighted work, (3) amount and substantiality of the portion used, and (4) effect on the market for the copyrighted work.⁶⁹



INFRINGEMENT JURY QUESTION

Do you find from a preponderance of the evidence that the [accused work] is substantially similar to the [registered work]?

Answer "Yes" or "No": _____.

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FAIR USE JURY QUESTION

Do you find from a preponderance of the evidence that Defendant's copying of [the registered work] was a fair use?

Answer "Yes" or "No": _____.

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6. **Derivative Work.** Copyright rights in a single work are many and divisible.⁷⁰ A derivative work adds something copyrightable to a prior work.⁷¹ It is independently copyrightable, but typically infringes the prior work. If you revise this paper, your derivative work infringes my copyright, but I cannot copy your revision without infringing your copyright.⁷²

Rule #5: COPYRIGHT PROTECTION IS EASY

1. **Three Levels of Protection:**

a. **Level One: Copyrighted.** Copyrightable works are copyrighted when fixed in tangible form⁷³ **without registering it, putting a copyright notice on it, or doing anything special.**⁷⁴

b. **Level Two: Notice.** You can put a copyright notice on our work without a copyright registration: (1) notice of copyright⁷⁵; (2) year first published⁷⁶; and (3) claimant's name.⁷⁷ Example: "© 1987-2016, Mark Miller."

c. **Level Three: Registration.** Registration is needed before suing an infringer.⁷⁸ Registration within three months of first publication or before the infringement is needed to recover attorneys' fees and statutory damages.⁷⁹

VALUE OF TIMELY COPYRIGHT REGISTRATION		
REMEDY	No Prior Registration ⁸⁰	Prior Registration
Owner's actual damages, plus infringer's profits	X	X
Injunction	X	X
Defendant may recover attorney's fees if it wins	X	X
Statutory damages of up to \$150,000 per each "infringement"		X
Plaintiff may recover attorney's fees if it wins		X

Because copyright suits are brought in federal (expensive!) court, a timely copyright registration is often needed to make enforcement of your copyright right practical.

2. **Discussion.** If there is a reasonable chance someone will copy your work, invest a \$45 filing fee in a copyright registration.⁸¹ Consult a copyright lawyer if your copyright right is important.⁸²

Rule #6: COPYRIGHT ASSIGNMENTS MUST BE WRITTEN

1. **Three Kinds of Copyright Owners:**

a. **Author.** The author owns the copyright right.⁸³ The co-authors are co-owners.⁸⁴

b. **Work for Hire.** The employer is the author if the work is created by (1) an "employee,"⁸⁵ (2) working within his or her scope of employment.⁸⁶

c. **Written Assignment.** The Copyright Act decrees that "A transfer of copyright ownership . . . is not valid unless an instrument of conveyance . . . is in writing and signed by the owner of the [copyright] rights conveyed"⁸⁷ When you buy a Steven King novel, you can read or resell it, but not copy it.⁸⁸ The same rule applies to a painting, advertising written by an agency, software written by an independent contractor, etc.⁸⁹

2. **Discussion:** Everyone connected with the creation of copyrightable works – every business has lots of them – should sign a copyright assignment.⁹⁰

Assignor hereby sells to Purchaser the works identified below and all rights to them throughout the world and forever, including but not limited to any and all media and uses that may now or ever exist, whether or not currently contemplated; intangible, moral, copyright rights, etc.; renewals; extensions; pre-existing and future causes of action; rights to reproduce, prepare derivative works, distribute copies by sale, transfer, rental, etc.; perform and display. Assignor warrants Assignor is the works' sole author and exercise of the transferred rights will not infringe any third party's rights.

OTHER COPYRIGHT INFORMATION

If you buy a copyright right, promptly record the transfer.⁹¹ Circumventing technological means of preventing copying, and removing or altering copyright management information (example: removing “©”) is unlawful and criminal.⁹² Some copying and misappropriations may be unlawful even if the work is not copyrightable.⁹³ “Moral rights” apply to some visual arts.⁹⁴ Some infringements are criminal.⁹⁵ Failure to timely contest another's claim of authorship may bar contesting it.⁹⁶ Copyrights are protected worldwide.⁹⁷ Copyright assignments⁹⁸ and licenses⁹⁹ have many special rules. A higher level copyright discussion is at the author's website.¹⁰⁰

TO WIN A COPYRIGHT SUIT

- ☐ **Protectable**
- ☐ **Ownership**
- ☐ **Protected**
- ☐ **Infringed**

IV. PATENTS

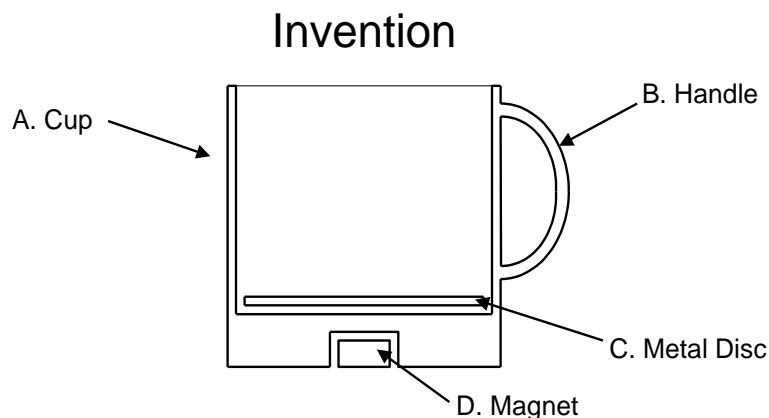
Rule #7: IMPROVEMENTS ARE PATENTABLE

1. **Patentable.** An invention only needs to be (1) **useful**,¹⁰¹ (2) **novel**,¹⁰² and (3) **non-obvious**¹⁰³ to be patentable.¹⁰⁴ Incremental improvements or new combinations of off-the-shelf components due to trial and error or methodical research may be patentable.¹⁰⁵ It does not need a “flash of genius.”

2. **Types of Patents.** Utility patents protect processes, machines, articles, compositions, etc.¹⁰⁶ for 20 years.¹⁰⁷ Design patents protect ornamental characteristics¹⁰⁸ for 14 years.¹⁰⁹ Business method patents protect methods of doing practically anything¹¹⁰ – how to run Priceline.com’s reverse auction,¹¹¹ sell magazine subscriptions,¹¹² or get customers to “round up” purchases to the nearest dollar.¹¹³ **Businesses often waste a valuable asset - the opportunity to prevent competitors from copying their new profitable anything - by not patenting it.**

3. **Patentability Analysis.** Compare your invention to the “prior art”¹¹⁴ (see Rule #8 below) to determine if it is possibly patentable. While reliable searches require a professional searcher and patent attorney evaluation, **you can do free preliminary searches at www.uspto.gov.**¹¹⁵

Assume your invention is a cup (A) with a handle (B), a removable metal disc that can be heated and then dropped inside the cup (C), and a magnet to hold the disc (D).

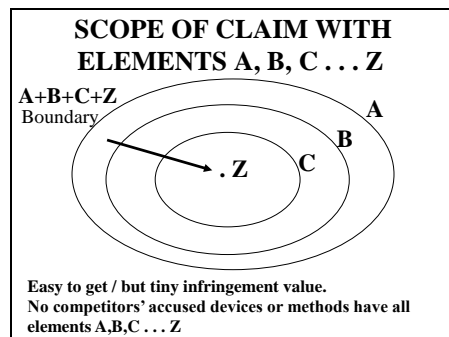
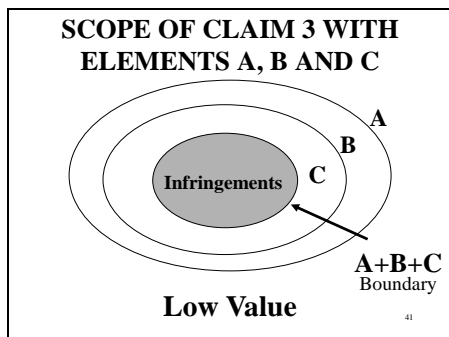
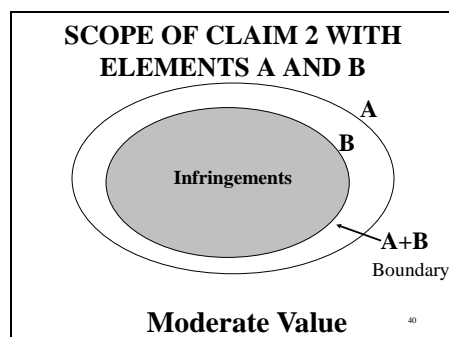
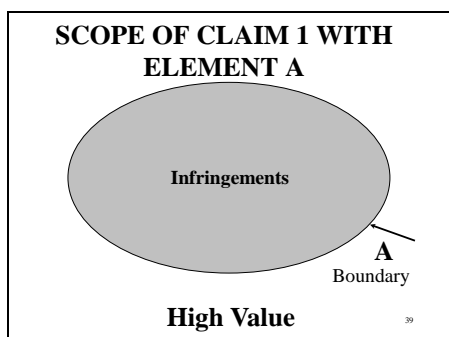


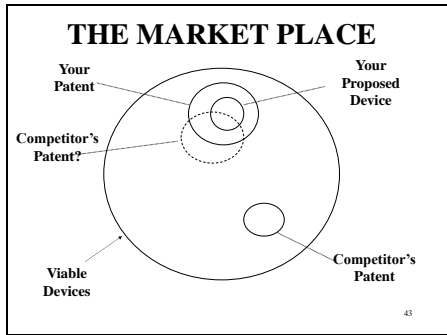
Patentability Operation	Invention Elements	Description
	ABCD	Your invented combination of elements
Novelty subtraction	- A - AB	Old elements and combinations are not patentable
Leaves	ABC ABCD	Novel combinations
Obviousness subtraction	- ABC	Obvious combinations are not patentable
Leaves	ABCD	Possibly patentable combination

4. **Infringement Analysis.** An accused device does not infringe¹¹⁶ unless every element¹¹⁷ in one of the patent’s claims is found in the accused device.¹¹⁸

Claim	Claim Elements	Accused Devices	Infringement?	Claim Value
1	A	A AB ABC	Yes Yes Yes	High
2	AB	A AB ABC	No Yes Yes	Moderate
3	ABC	A AB ABC	No No Yes	Low
4	ABC Z	A AB ABC	No No No	None

5. **Value Analysis.** The above tables show that the more elements in your invention, the more likely it is patentable, however, the more elements needed to make it patentable, the less likely your patent will prevent competition. Getting a valuable patent that excludes competition is a complex dance with the patent examiner with this contradiction in mind.





PATENTABILITY VS. INFRINGEMENT

1. Everything new is patentable (almost) if you add enough elements to the patent claim.
2. But the more elements needed to get a patent the less value the patent has because fewer accused devices and methods infringe.

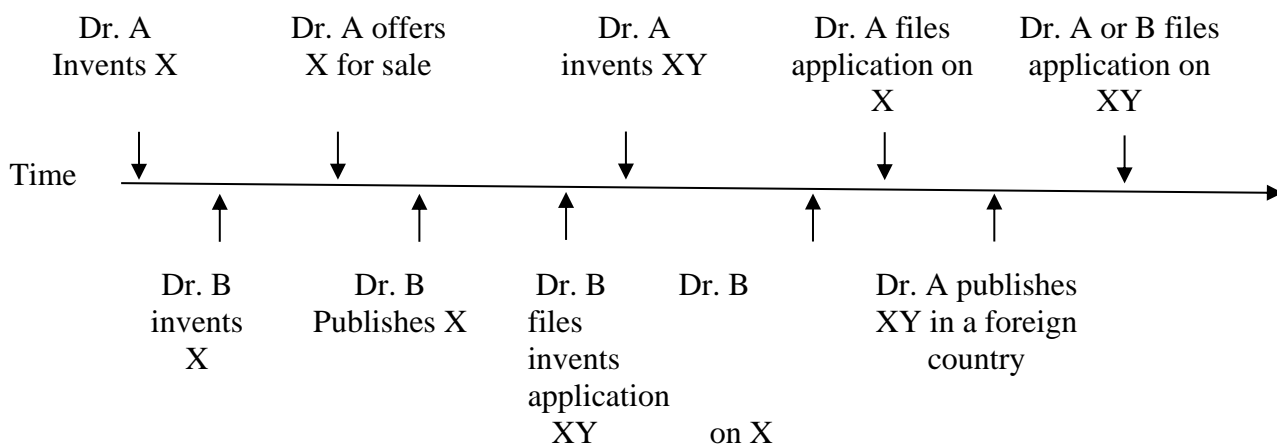
Rule #8: FILE NOW!

1. **Priority Between Inventors.** The American Invents Act (“AIA”)¹¹⁹ changed the U.S. from a “First to Invent” (“FTI”) country to a “First To File” (“FTF”) country for determining priority between unrelated inventors.

a. The first inventor to file a patent application has priority.¹²⁰ An exception is that, if Dr. A published his invention (i) before Dr. B’s filing and (i) within a year of Dr. A’s filing, then Dr. A has priority.¹²¹ Other exceptions exist.¹²²

2. **Old Stuff is Not Patentable.** The passage of time makes patentable inventions unpatentable. Unpatentable old stuff includes anything (1) “available to the public” before Dr. A’s application was filed, or (2) in a patent or patent application effectively filed before Dr. A’s application.¹²³ An exception is that Dr. A can claim priority back to his own publications made within a year before his application.¹²⁴

Priority and Patentable Changes Over Time



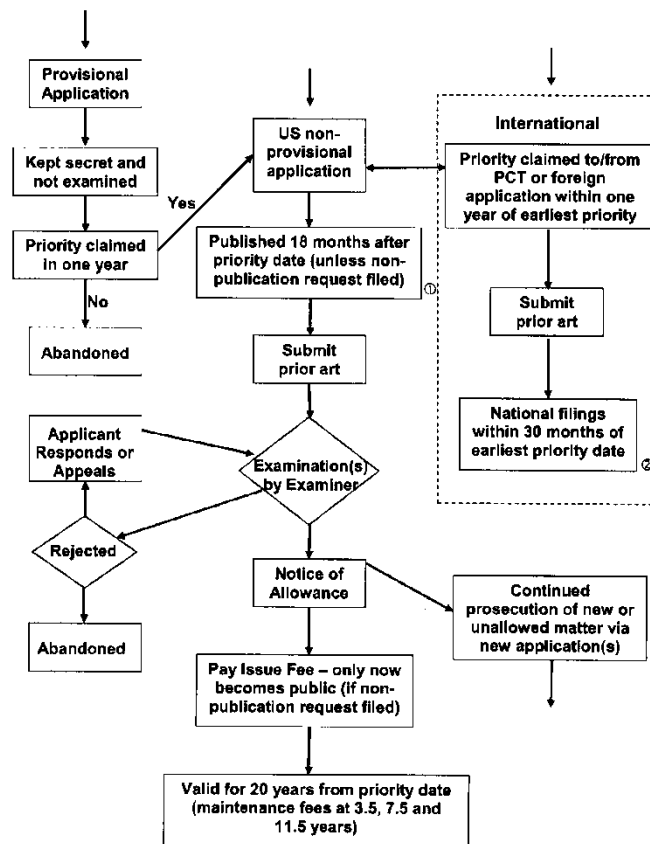
3. **Foreign Countries – Absolute Novelty.** Each country’s patents are only effective in that country. Most foreign countries have an “absolute novelty” requirement, *i.e.*,

any public disclosure of the invention anywhere before filing your application in that country bars patenting the invention in that country.¹²⁵ If you comply with complicated rules, filing in a first country can give you the right later to file your application in other countries with your first country's priority date.¹²⁶

4. Provisional Application. A provisional patent application (“provisional”) is an informal placeholder that preserves your invention's priority date for one year. It is wonderful because **it is cheap**, lets you delay deciding whether to file a more expensive utility application while you test the market or find money, lets you immediately mark your invention “patent pending,” and is completely secret. It is awful because **it is a trap** for the unwary as it only provides priority to the invention it properly describes¹²⁷ and it is automatically abandoned unless a utility application claims priority to it within a year.

5. Cost. It typically costs about \$5,000 to \$15,000 to file a utility patent application,¹²⁸ plus an additional \$2,000 to \$5,000 through issuance. It typically costs about \$1,000 to obtain a design patent. While about 65% of applications issue as patents, most are not valuable because they do not prevent competition.

U.S. PATENT APPLICATION PROCESS¹²⁹



6. **“Patent Pending.”** Patent applications typically pend 2.5 years. An application can be secret until it issues.¹³⁰ Marking your product “patent pending” may give you a valuable head start by delaying competition,¹³¹ but you cannot sue for infringement until the patent issues.¹³²

Rule #9: BE A SMART INVENTOR

1. **Inventorship.** Only persons who conceive the claimed invention can be patentees.¹³³ Businesses should have all knowledge employees sign a form agreement assigning all inventions to the business because otherwise non-officer employees typically own their inventions unless hired to invent.¹³⁴

2. **Do Not Write Your Own Application.** In exchange for the government’s grant of a temporary monopoly, the patentee trades a public disclosure which (1) teaches one skilled in the art to make and use the invention without undue experimentation (“**enablement**”),¹³⁵ (2) discloses the preferred embodiment (“**best mode**”),¹³⁶ and (3) discloses all information material to patentability (“**duty of candor**”).¹³⁷ The Supreme Court recognizes that the “specification and

claims of a patent, . . . , constitute one of the most difficult legal instruments to draw with accuracy.”¹³⁸ **Patents written by inventors are usually commercially worthless.**¹³⁹

3. **Individual Inventors:** Individual inventors who do not work in their invention’s line of business rarely commercialize it without licensing it to a business that is in the invention’s line of business.¹⁴⁰

4. **Line Extension Inventions.** In contrast, if a business will spend \$1,000,000 to make, market and sell something with a commercially-important improvement, failing to immediately file a patent application wastes valuable assets. Successful businesses convert profit making ideas into patented assets.¹⁴¹

<u>Company</u>	<u>Plant & Equipment</u>	<u>Patents</u>
IBM	\$16.7	\$26.7
Merck	\$13.1	\$24.3
Motorola	\$ 8.9	\$11.1
H-P	\$ 4.4	\$10.5 ¹⁴²

5. **What to Do?** To get maximum legal protection, put an infinitely large pile of cash on a patent attorney’s desk each time you come up with a new idea. This is likely beyond your means and a bad business decision, but anything less is a compromise between prudence and maximum protection. Alternatively, you can file an inexpensive provisional or publish a good disclosure and then immediately talk to potential licensees or offer a few units for sale, on consignment if necessary,¹⁴³ to help you decide whether to invest in a formal patent application. Your decisions concerning how to allocate your money, with its risks and rewards, are yours, not the patent attorney’s.

6. **Smart Inventors.** (1) Keep good records, including witnessed lab notebooks,¹⁴⁴ dated photos and receipts; (2) build prototypes;¹⁴⁵ (3) do not talk about the invention prior to filing their application, except to persons who have signed a confidentiality agreement; (4) search www.uspto.gov and the internet to determine what similar stuff exists; (5) continually work on “who is going to pay me?”;¹⁴⁶ (6) find a good patent attorney and keep asking “What can I do to help keep my costs down?”;¹⁴⁷ and (7) file lots of cheap robust provisional applications.

OTHER PATENT INFORMATION

Patent assignments should be promptly recorded.¹⁴⁸ A merchant impliedly warrants his goods are not subject to a rightful claim of infringement.¹⁴⁹ While legitimate invention development companies exist, the author has not personally met anyone who profited from one.¹⁵⁰

TO WIN A PATENT SUIT

- ☐ Patentable
- ☐ Timely filed application
- ☐ Infringed

V. **TRADE SECRETS**

Rule #10: IT IS NOT A SECRET UNLESS IT IS SECRET

1. **The Trade Secret Case.** Under both Texas and federal law¹⁵¹, a trade secret Plaintiff must timely¹⁵² prove (1) a trade secret existed,¹⁵³ (2) Defendant misappropriated it or will inevitably misappropriate it,¹⁵⁴ and (3) Plaintiff was damaged or Defendant was unjustly enriched by the misappropriation.¹⁵⁵

2. **Identify Your Trade Secrets.** You cannot protect it if you do not know what “it” is. Your best first step is to inventory your non-public information that may have value¹⁵⁶ and for each item, ask yourself what evidence you have or can create to win these jury questions.

JURY QUESTION NO. 1

Do you find from a preponderance of the evidence that [it] is a trade secret?

Answer: “Yes” or “No”: _____

JURY QUESTION NO. 2

Do you find from a preponderance of the evidence that Defendant misappropriated the trade secret?

Answer “Yes” or “No”: _____

Your answer tells you most of what you need to know about how to protect trade secrets.

3. **War Game.** Assume your top employees leave for a competitor and use everything they know against you. If you are not comfortable getting on the witness stand to

prove (i) you took efforts reasonable to maintain your secrets,¹⁵⁷ and (ii) they knew or had reason to know they should not take each secret, then you will lose. Improve your security program!

**THE FIRE DRILL
MOTIVATOR**

- “Mr. Client, assume your top employee went to work for a competitor and you are on the witness stand.”
- “What do you want to be able to tell the jury about how you protected your trade secrets?”

Rule #11: EMPLOYEES LEAVE

1. **The Valuable Employee.** Employees are not inert warmware. While most are honest and loyal, most will also likely work for a competitor someday. The day that happens is the day (1) you realize the employee has valuable non-public information, and (2) you feel stupid for not having prepared for the departure.

2. **Visible Preparation.** The best way to convince employees to not wrongfully take your intangible assets when they leave is to treat them fairly, make good ethics – including respecting your and your competitors’ trade secrets – visible corporate policy, implementing a security program which includes executed confidentiality agreements, and communicating that taking company intangible assets will bring the wrath of God. This is a better investment than paying lawyers to fight about what former employees took.

3. **Security Program.** An inexpensive security program provably informs employees of their duties, shows them you are serious, inexpensively prevents most problems and helps win lawsuits.¹⁵⁸

4. **Signed Agreements.** While some employment relationships create implicit duties,¹⁵⁹ having employees sign agreements that they will not take your secrets,¹⁶⁰ not compete with you, everything they create is yours, etc., makes it much more likely that they will honor these promises. Every day you wait makes it harder to get signatures and reduces the agreements’ enforceability.¹⁶¹

Publicizing that your key employees have confidentiality agreements makes competitors less likely to raid your employees because inducing another’s employee to breach a confidentiality agreement may be tortious interference¹⁶² and civil conspiracy.¹⁶³ Non-

competition agreements can be enforceable if prepared by an attorney familiar with confusing legislation and court opinions.¹⁶⁴

**SOLUTION: IMPLEMENT
SECURITY PROGRAM**

- Decide what to protect
- Hiring procedures
- Restrict Access
- Put Everyone on notice
- Confidentiality Agreements
- Confidentiality Legends
- Physical Security
- Monitor/Audits
- Termination Procedures

Confidentiality Agreement

Individual has confidential and fiduciary duties to Company and its customers, will strictly comply with Company's security program, and will devote his full time and attention to his duties to Company. All current and future goodwill, non-public information, and proprietary information relating to Company or Company's customers or vendors and all compilations, programs, improvements, inventions, writings, copies, notes, copyrightable works, opportunities for additional business, improving Company's business, or extending Company's business to other lines, etc. (all collectively 'Company Property') made, fixed, conceived, acquired, or learned by Individual during the term of Individual's relationship with Company are, without limitation, owned solely by Company as works-for-hire, and if not, by assignment, including all renewals, extensions, causes of action, and rights to reproduce, prepare derivative works, distribute copies, display, perform, transfer, make, use and sell, and may never be copied, used, or disclosed without Company's express written consent. Individual will sign any documents affirming the same for any particular item on request, during or after the relationship. Individual will not, except on Company business, use or disclose any Company Property without Company's written consent during or after Individual's relationship with Company. Individual will always promptly and fully disclose to Company all contacts with Company's then-current and potential investors, competitors, customers, and vendors; opportunities for additional business; improving Company's business; or extending Company's business to other lines. If Individual's relationship with Company ends, Individual will immediately deliver all Company Property and all documents and information concerning Company to Company.

**TO WIN A TRADE
SECRET SUIT**

- ☐ Your “stuff” was reasonably secret
- ☐ Defendant knew it was secret
- ☐ Damages + unjust enrichment

VI.

KEEP ATTORNEYS FROM OWNING YOUR BUSINESS

Rule #12: IF YOU WANT PEACE, PREPARE FOR WAR¹⁶⁵

1. **Avoid Litigation.** Nothing you have ever done compares to the awful expense and aggravation of litigation. Most people will agree to arbitrate disputes or waive a jury trial (*i.e.* trial to a judge) before the dispute. These agreements may avoid years of expensive litigation.¹⁶⁶

2. **Create Evidence.** The best way to avoid litigation is **(1) visualize yourself in the witness stand with hard evidence to rebut each of your adversary’s lies, and (2) proactively create that evidence.** Examples: Tape record important telephone calls (lawful in Texas¹⁶⁷), send letters confirming oral agreements, use form agreements,¹⁶⁸ etc. People rarely litigate if they know you will win.

3. **Limit Liability.** Most businesses should allocate assets to one entity and risks and liabilities to another.¹⁶⁹ Your holding company may own key assets (trademarks, real estate, etc.) and license them to your operating company.¹⁷⁰ This protects the holding company’s assets from the operating company’s risks and liabilities.

4. **Insurance.** Umbrella insurance may cost a few hundred dollars, but save you from bankruptcy. If sued, take all of your insurance policies to a knowledgeable attorney to see if the matter, or its defense,¹⁷¹ is insured. For example: some policies’ protection against “advertising injury” and “piracy” covers patent, trademark, and copyright claims.¹⁷²

5. **Plan For The Inevitable.** Plan to get the best deal and minimize taxes for inevitable events.¹⁷³ **I guarantee you will stop working, dispose of your assets, and die.** Financially weak companies sometimes fail. Your agreements with them should protect against that.¹⁷⁴

6. **Be Fair And Cautious.** This is a much-neglected way of avoiding litigation. Do not let a written agreement cause you to be less fair than if it were a handshake deal. More money has been lost fighting over scraps and minor defaults than left on the table by going along to get along.

VII. **CONCLUSION**

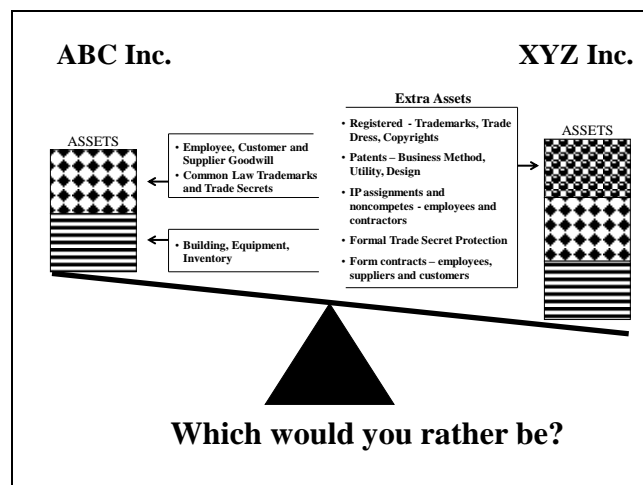
Trademarks: Make sure your proposed mark is protectable and not owned by anyone else. Protect valuable marks with a federal trademark registration.

Copyrights: Get the author's written agreement that you own the copyright. Put a copyright notice on everything that might be copyrightable. Register if it might be important.

Patents: Get the everyone's written agreement that you own all patent rights. Promptly file inexpensive provisional applications.

Trade Secrets: Get everyone's written agreement that you own everything, they will keep your information confidential etc. Start an inexpensive security program.

This paper's instructions to use the Rules to protect teach an equally important lesson – how to use the Rules to ruthlessly and lawfully copy.



This is not legal advice. Completeness is sacrificed for brevity. Nothing stated here is 100% true, or attributable to the author's firm or its clients. For additional information on topics mentioned here, visit www.jw.com/Mark_H_Miller/ for papers focused on each topic. © 1987 – 2016 Mark Miller .

Many of this paper's sentences have an endnote. The endnotes are cumulatively longer than the paper. If you have a question about a sentence which has an endnote, look at the

endnote. If your version of this paper does not have endnotes, the paper with endnotes is at <https://www.jw.com/intellectual-property-basics/>.

INTELLECTUAL PROPERTIES

	PATENT	TRADEMARK	COPYRIGHT	TRADE SECRET
PROPERTY PROTECTED	Useful or design features of objects, processes, business methods or “anything under the sun made by man.”	Words, symbols or non-functional features	Anything creative and not primarily physically functional.	Any secret that gives you a business advantage over those who do not know it.
REGISTRATION	File before other inventors and within one year of first offer or publicly known.	USPTO; Texas Secretary of State.	U.S. Copyright Office	None
REQUIREMENTS FOR PROTECTION	<ol style="list-style-type: none"> 1. Novel and non-obvious. 2. <u>Utility</u>: useful, <u>Design</u>: ornamental 3. Application disclosing “best mode” within one year of offering invention for sale or public disclosure. 4. Issued patent in subject country. 	<ol style="list-style-type: none"> 1. Mark identifies your goods or services and distinguishes them from others’ or file an “intent-to-use” federal application. 2. Registration is not necessary, but helpful. 	<ol style="list-style-type: none"> 1. Originality (creativity). 2. Copyright notice (not necessary, but helpful). 3. Registration (not necessary, but very helpful). 	<ol style="list-style-type: none"> 1. Its secrecy gives you a business advantage. 2. Reasonable steps to keep it secret. 3. Bad actor knew it was your secret.
DURATION OF PROTECTION	Utility: 20 years from priority date. Design: 14 years from grant (both subject to maintenance fees)	<p>Common Law: No limit if you keep using it.</p> <p>Registration: 10 years, renewable indefinitely if you keep using it and comply with formalities.</p>	<p>Work for hire - earlier of 95 years from publication or 120 years from creation.</p> <p>Individual author - life plus 70 years.</p>	As long as it is secret.
PUBLIC NOTICE	“Pat. Reg. No. ____” or “Pat. No. ____”	™ if not federally registered; “®” if federally registered.	“Copyright” or “©”, year first published, claimant. Example: © 1987-2016 Mark Miller	Notice of its secret nature. “Confidential Property of _____.”
INFRINGEMENT	<p><u>Utility</u>: Every claim limitation is found, literally or equivalently, in accused device or method.</p> <p><u>Design</u>: Accused design is substantially similar to patented design’s overall appearance, taking prior art into account.</p> <p>S/L: 6 years</p>	<p>Priority, mark is protectable and the relevant public will likely be confused between Plaintiff’s and Defendant’s marks.</p> <p>S/L: Federal 2 years, states vary</p>	<p>Plaintiff’s work is protectable, Defendant copied Plaintiff’s work and Defendant’s work is substantially similar to protectable part of Plaintiff’s work.</p> <p>S/L: 3 years</p>	<p>Information is relatively secret and Defendant knowingly misappropriated it to Defendant’s benefit or Plaintiff’s harm.</p> <p>S/L: Texas 3 years, Federal ...</p>
FOREIGN	U.S. patent limited to U.S. Foreign countries require “absolute novelty,” PCT gives one year priority period.	Need to register in each country. Most countries award rights to “first to file”	Country specific, but generally automatic	Generally, but not always, available in foreign countries

END NOTES

¹ A property right is generally a right to exclude. “Intellectual Property” (“IP”) is generally a right to exclude others from making, using or selling intangible “property” created by the mind. This includes patents, trademarks, copyrights, trade secrets, goodwill, going concern value, contracts, covenants not to compete, licenses, etc. It is the DNA of business. Most countries with robust economics strike a balance between protecting IP, because rational actors will invest less time, effort and money innovating if others can free ride on it, and limiting IP, because too much protection stifles competition and sequential innovation. (The U.S.’s 120-year copyright term is excessive.) The Founding Fathers considered IP protection important. Constitution Article I, section 8 authorizes Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” The Supreme Court states “[t]he economic philosophy behind the clause . . . is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare . . .” Mazer v. Stein, 74 S. Ct. 460, 471 (1954). and “[T]he ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good.” Twentieth Century Music Corp. v. Aiken, 95 S. Ct. 2040, 2044 (1975).

² “Use” means placing the mark before the public, typically, a bona fide sale of the marked good or service with an intent to continue in the future. 15 U.S.C.A. §§1051, 1127; Tex. Bus. & Com. Code Ann. §§16.02, 16.08; Blue Bell, Inc. v. Farah Mfg. Co., 508 F.2d 1260 (5th Cir. 1975). If the term is not inherently protectable, the use must be sufficient to create secondary meaning. Scott Paper Co. v. Scott’s Liquid Gold, Inc., 589 F.2d 1225 (1978 3rd Cir.).

³ 15 U.S.C. §1051(b); Either prior public use of the mark in “commerce,” *i.e.*, to identify sales, or a bona fide intent to use the mark in commerce, is an application prerequisite. An intent-to-use applicant must ultimately use the mark in commerce before the application will issue as a registration.

⁴ Incorporation “The filing of Articles of Incorporation . . . does not authorize the use of a corporate name in this state in violation of the rights of another under the Federal Trademark Act of 1946 (15 U.S.C. §1051 et seq.), the Texas Trademark Law (Chapter 16, Bus. & Com. Code), Assumed Business or Professional Name Act (Chapter 36) Business and Commerce Code, or the Common Law.” Tex. Bus. Corp. Act. Ann. Art. 2.05(c) (Secretary of State must give notice to corporations that incorporating does not affect the corporation’s right to use or exclude others from using the name); Ergon, Inc. v. Dean, 649 S.W.2d 772 (Tex. Civ. App.–Austin 1983). (b) Assumed Name “Nothing in this chapter shall be construed to give a registrant an assumed business or professional name any right to use the name when contrary to the common law or statutory law of unfair competition, unfair trade practices, common law copyright, or similar law. The mere filing of an assumed business or professional name certificate pursuant to this chapter shall not constitute actual use of the assumed name set out therein for purposes of determining priority of rights.” Tex. Bus. Com. Code § 36.17.

⁵ 15 U.S.C. §1117; Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365 (10th Cir. 1977), *cert. dismissed*, 434 U.S. 1052 (1978).

⁶ The “senior” user is the first user to establish secondary meaning in the mark in the trade area. Inwood Lab., Inc. v. Ives Lab., Inc., 102 S. Ct. 2182 (1982) (“To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself.” *Id.* at 851). The relevant secondary meaning public is not the general public, but the relevant buyer class. In some circumstances, pre-sales use may create priority, such as by a different mark which creates the same commercial impression, Hana Financial, Inc. v. Hana Bank, 135 S. Ct. 907 (2015), or by advertising. Unisplay S.A. v. American Electronics Sign Co., 28 U.S.P.Q.2d 1721 (E.D. Wash., 1993), *r’hrq denied*, 69 F.3d 512. Inherently distinctive marks do not require proof of secondary meaning.

⁷ ARMCO, Inc. v. ARMCO Burglar Alarm Co., 693 F.2d 1155 (5th Cir. 1982). (“Should have known”).

⁸ This assumes the application ultimately issued as a registration which is still effective. 15 U.S.C. §1057(c). An intent-to-use application’s issuance as a registration cannot be stopped by a party who began using after the application was filed. Warner Vision Entertainment, Inc. v. Empire of Carolina, Inc., 101 F.3d 259 (2nd Cir. 1996). In contrast, only use after a Texas state registration issues is with constructive notice. Tex. Bus. & Com. Code §16.15(b).

⁹ 15 U.S.C. §§1051-1127, *but note*, inapplicable to a Supplemental Registration. 15 U.S.C. §§1057(b), 1072, 1115(a). A Texas trademark registration gives similar rights in Texas. Tex. Bus. & Com. Code §§15.01-29.

¹⁰ (1) Prosecuting the Application. A trademark application is a deceptively simple document. Over-claiming by including a good or service not supported by use may invalidate the registration. Under-claiming may unnecessarily limit its scope. A Section 2(f) declaration, Supplemental Register transfer, disclaimer, or citing TMEP rules and cases may help obtain a registration. Prosecution statements may narrow the registration. E Z Loader Boat Trailers, Inc. v. Cox Trailers, Inc., 213 U.S.P.Q. 597, 599 (T.T.A.B. 1982), *aff'd.*, 706 F.2d 1231 (Fed. Cir. 1983). Combining a marginal word mark with a distinctive design may trade potential maintenance problems if the design changes in exchange for improved registerability and future incontestability of the weak word mark. KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 328 F.3d 1061 (9th Cir. 2003) (“presumption of validity extends to the most salient feature of the mark” *Id* at 1070); Boi Na Braza, LLC v. Terra Sul Corp., 110 U.S.P.Q.2d 1186 (T.T.A.B. 2014). (2) Prosecution Fraud. False statements may cause cancellation or unenforceability. Compare, Nationstar Mortgage, LLC v. Mujahid Ahmad, 112 U.S.P.Q.2d 1361 (T.T.A.B. 2014) (fraudulent “use in commerce” oath), and (§ 2(f) declaration fraud), with, Sovereign Military Hospitaller Order of St. John of Jerusalem of Rhodes and of Malta v. Florida Priory of the Knights Hospitaller of the Sovereign Order of St. John of Jerusalem, 702 F.3d 1200 (11th Fed. Cir. 2012) (“knowingly false material representation with intent to deceive the PTO” standard.), Grand Canyon West Ranch LLC v. Hualapai Tribe, 78 U.S.P.Q.2d 1696 (T.T.A.B. 2006) (Respondent successfully deleted claimed, but unused, services prior to fraud allegation); Maid-to-Order, Inc. v. Maid-to-Order, Inc., 78 U.S.P.Q.2d 1899 (T.T.A.B. 2006) (“Subjective belief” standard concerning prior users). B&B Hardware, Inc. v. Hargis Industries, Inc., 135 S. Ct. 1293, 1310 (2015) (T.T.A.B. rulings are res judicata where “usages adjudicated by the TTAB are materially the same as those before the district court.”)

¹¹ (1) An application may be based on use in commerce (Doctor’s Associates Inc. v. Janco, LLC, Opp. No. 91217243, TTAB Jan. 7, 2016(interstate requirement)), intent-to-use, or international priority. (2) Typical pendency between filing the application and the first Office Action is about seven months. (3) A Response to an Office Action typically is written by a trademark attorney using arguments based upon statutes, regulations, the Trademark Manual of Examination Procedure, court decisions and evidence to persuade the examiner to withdraw rejections. (4) If the examiner finds the application mark allowable, the Trademark Office publishes it so anyone who believes they will be injured by registration can file an Opposition. (5) An Opposition is a lawsuit to determine if the application should issue as a registration.

¹² A federal registration creates national constructive use effective upon the application’s filing date against anyone who was not using the mark when the *application was filed*. 15 U.S.C. §1057(c). An innocent junior user has exclusive rights in its trade area against a registrant whose application was filed after the junior user began use. Peaches Entertainment Corp. v. Entertainment Repertoire Assets, Inc., 62 F.3d 690 (5th Cir. 1995); Bright Beginnings v. Care Comm., Inc., 30 U.S.P.Q. 1712 (C.D. Cal., 1994) (When junior user’s good faith is measured). A senior user can assert its prior use to cancel a junior user’s registration within five years of the registration issuing. Otherwise, a senior user or pre-application filing date innocent junior user is restricted to its trade area when the registrant’s *registration issued*. 15 U.S.C. § 1057(c), Boi Na Braza, LLC v. Terra Sul Corp., 110 U.S.P.Q.2d 1186 (T.T.A.B. 2014). An innocent junior user’s federal registration preempts a senior user’s senior state registration. Burger King of Florida, Inc. v. Hoots, 403 F.2d 904 (7th Cir. 1963); Davidoff Extension S.A. v. Davidoff Comerico E. Industria, 747 F. Supp. 122 (P.R. 1990). Use-based and ITU applications create identical priority.

¹³ International trademark protection is enormously complicated. Trademark rights are strictly country specific. A pirate who sees your trademark used in country A may keep you from using the mark in country B by registering it in country B. Person’s Co., Ltd. v. Christman, 900 F.2d 1565 (Fed. Cir. 1990). Many civil law countries give all trademark rights to the first registrant; who was first to use the mark in the country is irrelevant. Your own proposed or actual foreign licensee can sometimes obtain ownership of your trademark in its country by filing a trademark application there before you. The result may be different if the trademark is already family in the country or if you can prove – in that country – that the junior party adopted the mark in bad faith. It is best to obtain a trademark registration in the important countries before the unknowable “too late” date.

The Madrid Protocol (the “Protocol,” <http://ipdl.wipo.int>) permits a single Protocol application to designate up to 58 Protocol countries in a single application. However, the Protocol merely gives each individual country application a common priority date and consolidates transfers and renewals. Local law applies otherwise. Many countries which do not participate in the Protocol are members of the Paris Convention. If maximum scope of protection is more important than cost, national applications should be considered because Protocol applications are limited to the host country’s description of the mark’s claimed goods and services and USA law limits this to the specific ones actually being sold. In contrast, many foreign countries allow a single good or service to support trademark protection for an entire broad category. Thus, typically, foreign trademark protection with broader scope

can be obtained if the Protocol is not used. For Europe, a Community Trademark registration (CTM) (one registration for all Europe) is often best. Use of a mark in any European country may be sufficient to maintain the CTM registration for all CTM countries. Obtaining a foreign registration is not the end of the game. Many countries have in-country use requirements and all require renewals.

¹⁴ You may have “a duty to ensure, through a proper and timely trademark search that its [new trademark] campaign would not imitate an existing registered mark.” Sands, Taylor & Wood v. The Quaker Oats Co., 18 U.S.P.Q.2d 1457, 1473 (N.D. Ill. Dec. 20, 1990), *aff’d in part, rev’d in part on other grounds*, 978 F.2d 947 (7th Cir. 1992). If your investment in the new mark will be large, a more expensive full search of trade names, trade journals, Dunn & Bradstreet listings, telephone books, etc., may be advisable. As the above discussion implies, clearance searching is complicated by the Paris Convention and the Madrid Protocol, which give some USA applications the right to claim priority back to an earlier filed foreign application.

¹⁵ “Trademark” or “mark” is used in this paper to identify both trademarks and service marks. 15 U.S.C. §1127; Tex. Bus. & Com. Code §§16.01(a)(4) - .01(a)(5).

¹⁶ 13 U.S.C. § 1127. A trademark is “any word, name, symbol, or device or combination thereof – (1) used by a person, or (2) which a person has a bona fide intention to use in commerce . . . to identify and distinguish . . . goods . . . from those manufactured or sold by others and to indicate the source of the goods.” 15 U.S.C. § 1051. Two Pecos, Inc. v. Taco Cabana, Inc., 112 S. Ct. 2753, 2757 (1992), *citing* Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 9 (2nd Cir. 1976). “[T]rademark law, by preventing others from copying a source-identifying mark, ‘reduce[s] the customer’s costs of shopping and making purchasing decisions,’ for it quickly and easily assures a potential customer that *this* item – the item with this mark – is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby ‘encourage[s] the production of quality products,’ and simultaneously discourages those who hope to sell inferior products by capitalizing on a consumer’s inability quickly to evaluate the quality of an item offered for sale. It is the source-distinguishing ability of a mark – not its ontological status as color, shape, fragrance, word, or sign – that permits it to serve these basic purposes.” Qualitex Co. v. Jacobson Products Co., 115 S. Ct. 1300, 1303-1304 (1995) (internal citations omitted), quoting 1 J. McCarthy, *McCarthy on Trademarks and Unfair Competition* § 2.01[2] (3d ed. 1994).

¹⁷ Generic marks “refer to the genus of which the particular product is a species.” Two Pesos, Inc. v. Taco Cabana, Inc., 112 S. Ct. 2753, 2755 (1992). Filipino Yellow Pages, Inc. v. Asian Journal Publications, Inc., 198 F.3d 1143, 1147 (9th Cir. 1999) (“Who-are-you/what-are-you” test). The “anti-dissection” rule is that the mark must be considered as a whole, two generic terms may be combined to create a protectable mark if the composite mark serves as a source indicator. *Id.* at 1150.

¹⁸ Small Business Assistant Corporation v. Clear Channel Broadcasting, Inc., 210 F.3d 278 (5th Cir. 2000).

¹⁹ Miller Brewing Co. v. Falstaff Brewing Corp., 655 F.2d 5, 7-8 (1st Cir. 1981).

²⁰ Zatarains, Inc. v. Oak Grove Smokehouse, Inc., 698 F.2d 786, 790 (5th Cir. 1983) (“A descriptive term ‘identifies a characteristic or quality of an article or service’ such as its color, odor, function, dimensions, or ingredients.” (quoting Vision Center v. Opticks, Inc., 596 F.2d 111, 115 (5th Cir.1980))), *overruled in part on other grounds by* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 125 S. Ct. 542 (2004).

²¹ If the mark is descriptive the jury is asked if the mark is (a) “merely descriptive” *i.e.* primarily describes the good or service, or (b) has “secondary meaning.” The former are unprotectable and the latter protectable. Secondary meaning means “acquired distinctiveness,” *i.e.* that the first meaning of the mark was not to identify the seller, but that, over time, the mark developed a second-in-time meaning, *i.e.* to identify the seller. The mark now distinguishes and identifies your goods and services from those of your competitors. The jury is instructed to consider (1) the length and manner of the mark’s use; (2) the nature and extent of advertising and promotions; (3) efforts made by plaintiff to promote a conscious connection in the public’s mind between the mark and the plaintiff’s product or business; and (4) the extent to which the relevant public actually identifies the name with the plaintiff’s product or business. Zatarains, Inc. v. Oak Grove Smokehouse, Inc. 698 F.2d 786 (5th Cir. 1983), *overruled in part on other grounds by* KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 125 S. Ct. 542 (2004); This interacts with the priority race because “secondary meaning must be established before the date that the other party began using the similar term.” Gulf Coast Commercial v. Gordon River Assoc., 508 F. Supp. 1157 (M.D. Fla. 2006; Cicena Ltd. v. Columbia Telecommunications Group, 900 F.2d 1546 (Fed. Cir. 1990) (“rejecting secondary meaning in the making”).

²² Vision Center v. Optics, Inc., 596 F.2d 111 (5th Cir. 1979), *cert. denied*, 100 S. Ct. 668.

²³ Beer Nuts, Inc. v. Clover Club Foods Co., 711 F.2d 934 (10th Cir. 1983).

²⁴ Longchamps, Inc. v. Eig, 315 F. Supp. 456 (S.D.N.Y. 1970).

²⁵ Eagle Snacks, Inc. v. Nabisco Brands, Inc., 625 F. Supp. 571 (D.N.J. 1985).

²⁶ Exxon Corp. v. Xoil Energy Resources, Inc., 552 F. Supp. 1008 (S.D.N.Y. 1981).

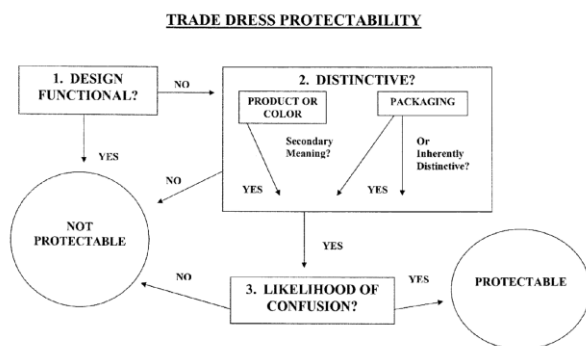
²⁷ “Trade dress constitutes a ‘symbol’ or ‘device’ for purposes of the relevant sections [Lanham Act, Sections 43(a) and 45], and we conclude likewise. Since human beings might use as a ‘symbol’ or ‘device,’ almost anything at all that is capable of carrying meaning, this language, read literally, is not restrictive.” Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 120 S. Ct. 1339 (2000). Two Pesos, Inc. v. Taco Cabana Int’l, Inc., 112 S. Ct. 2753 (1992) (Trade dress may be an arbitrary arrangement of functional features, “the total image of a product and may include features such as size, shape, color or color combinations, textures, graphics, or even sales techniques”). *E.g.* NBC’s chime, U.S. Reg. No. 916,522, Walgreen’s building design, U.S. Reg. No. 3,095,532, Owen Corning’s pink insulation, U.S. Reg. No. 2,090,588.

²⁸ Trade dress must be non-functional. 15 U.S.C. § 1125(a)(3) (a) **Utilitarian Functionality**. “A product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.” Traffix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23 (2001). Some courts read Traffix to mean that mere *de facto* functionality, *i.e.*, the patent notion of any utility, bars trade dress protection. Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH, 289 F.3d 351 (5th Cir. 2002), *cert. denied*, 537 U.S. 1071 (2002). Other courts read Traffix as leaving room for the traditional view that not everything that performs a function is functional in the trademark sense and admit evidence of alternative designs to determine the competitive necessity of the design’s utility. Value Engineering, Inc. v. Rexnord Corp., 278 F.3d 1274, 1278 (Fed. Cir. 2002). Plaintiffs should (1) distinguish between functions of the device, functions of the design’s individual elements, and functions incidental to the design, versus the arbitrary, non-functional and source identifying nature of the claimed design of the device as a whole, *i.e.*, the total collection of design elements, and (2) define their trade dress broadly, claiming only arbitrary features in a collection of design features. (b) **Aesthetic Functionality**. If a design has no utilitarian functionality, “It is proper to inquire into a “significant non-reputation-related disadvantage” in cases of aesthetic functionality.” Traffix. Qualitex Co. v. Jacobson Products Co., 115 S. Ct. 1051 (1995). “In practice, aesthetic functionality has been limited to product features that serve an aesthetic purpose wholly independent of any source-identifying function.” (*Id.* at 1086.) Au-Tomotive Gold, Inc. v. Volkswagen of America, Inc., 457 F.3d 1062 (9th Cir. 2006); Abercrombie & Fitch Stores, Inc. v. American Eagle Outfitters, Inc., 280 F.3d 619 (6th Cir. 2002) Defining the relevant market helps determine whether trade dress puts competitors at a significant non-reputation-related disadvantage. (c) **Ornamental**. Whether trade dress is unprotectable due to being merely ornamental (no source identification) Trademark Manual of Examining Procedure §1202.02(a)(iii)(C) or due to being aesthetically functional is often confused. Cosmos Jewelry Ltd. v. Hung’s Jewelry, Inc., 61 U.S.P.Q.2d 1220 (D. Haw. 2001) (“The jewelry was intended to be only esthetically pleasing, therefore, [it is] functional . . .”). After the copyright covering illustrations in Beatrix Potter’s Children’s books expired, the publisher claimed they were trade dress. Fredrick Warne & Co., Inc. v. Book Sales, Inc., 481 F. Supp. 1191 (S.D.N.Y. 1979) held they were merely ornamental.

²⁹ Trade dress must be distinctive, meaning that customers perceive it as an indicating source. “A mark can be distinctive in one of two ways. First, a mark is inherently distinctive if “[its] intrinsic nature serves to identify a particular source.” . . . Second, a mark has acquired distinctiveness, even if it is not inherently distinctive, if it has developed secondary meaning, which occurs when, “In the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.” Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 120 S. Ct. 1339 (2000). Trade dress protection was denied for Pebble Beach’s golf hole #14 because it was not so “arbitrary and distinctive compared to other golf holes such that the design automatically serves as identifiers of source” while its golf hole #18 was granted protection “because of its association with incorporation of the lighthouse, contains arbitrary source-identifying features that make its design inherently distinctive.” Pebble Beach Co. v. Tour 18 I Ltd., 942 F.Supp 1513 (S.D. Tex. 1996). (a) **Packaging**. Asserted trade dress in packaging can be inherently distinctive. (b) **Products and Color**. Asserted trade dress in the products or color is never inherently distinctive, and requires proof of secondary meaning. Trademark Office Examination Guide No. 2-00, Marks Consisting of a Configuration of a Product. (c) **Tertium Quid**. “Trade dress for means falling between product and packaging, such as restaurant décor, marketing theme of a retail store, etc., are deemed “tertium quid” subject to special inquiry.” Wal-Mart, supra. Yankee Candle Co. v. Bridgewater Candle Co., 259 F.3d 25 (4th Cir. 2001).

(“In close cases, *tertium quid* trade dress is classified as product design, thereby requiring secondary meaning.”) Proving secondary meaning can be expensive and problematic. Plaintiffs should tailor their advertising to direct consumers to “look for” the distinctive elements the plaintiff wishes to protect. If any separable part of trade dress can be said to be a trademark, that part should be additionally pled as an inherently distinctive trademark. Louis Vuitton Malletier v. Dooney & Bourke, Inc., 454 F.2d 108 (2nd Cir. 2006).

³⁰ Trade dress owners should consider that “the producer can ordinarily obtain protection for a design that is inherently source identifying (if any such exists) but that does not yet have secondary meaning, by securing a design patent or copyright for the design.” Wal-Mart Stores Inc. v. Samara Brothers Inc., 120 S. Ct. 1339 (2000). Trademark Manual of Examining Procedure, §1202.02 Registration of Trade Dress. A trademark registration gives important statutory presumptions of non-functionality and distinctiveness. Donna - Margaret Goscicki v. Custom Brass & Copper Specialties, Inc., 229 F. Supp. 2d 743 (E.D. Mich. 2002);



Trade dress can give copyright-like protection to written materials. Computer Care v. Service Systems Enterprises, 982 F.2d 1063 (7th Cir. 1992). Paddington Corp. v. Attiki Importers & Distrib., 996 F.2d 577 (2nd Cir. 1993). Trade dress has assumed aspects of a perpetual design patent. Ferrari S.P.A. Eseruzio v. Roberts, 944 F.2d 1235 (6th Cir. 1991), *cert. denied*, 112 S. Ct. 3028 (1992). Kohler Co. v. Moen, Inc., 12 F.3d 632 (7th Cir. 1993) (design patent can coexist with trade dress). *See*, Jerome Gillson and Anne Gillson La Londe, Cinnamon Buns, Marching Ducks, and Cherry-Scented Race Car Exhaust: Protecting Non-Traditional Trademarks, Vol. 95 TMR 773 (2005).

³¹ Protecting domain names is important and complicated. **(a) Trademark Registration.** Without a federal trademark registration, policing against confusingly similar domain names is difficult. A domain name can only be registered if it is used to identify goods or services rather than merely serve as an address. **(b) Policing Cybersquatters.** Whether cyber squatters should be pursued under the Uniform Domain Name Dispute Resolution Policy, the Anticybersquatting Consumer Protection Act or trademark law depends on the facts of each case. Generally, a prior user with any national trademark registration wins. **(1) UDPP.** The UDPP was implemented by the Internet Corporation for Assigned Names (“ICAN”) and incorporated into applicable registration agreements. (1) The complainant must have rights to the name; (2) the terms must be identical or confusingly similar; (3) the current domain holder has no legitimate rights to the name; (4) current domain name holders is using the name in bad faith; and (5) the disputes are administered by World Intellectual Property Organization (WIPO). **(2) ACPA.** The Anti-Cybersquatting Consumer Protection Act (ACPA), prohibits the registration, trafficking in, or use of a domain name that is identical to, or confusingly similar to, or dilutes a mark that is distinctive at the time the domain name is registered with “bad faith intent to profit from that mark.” ACPA lists nine factors a court may consider to determine if defendant acted in bad faith. The court may award damages from \$1,000 to \$100,000 per domain name. A typical “gripe site” does not present requisite “bad faith.” TM Inc. v. Maxwell, 368 F.3d 433 (5th Cir. 2004). **(3) Trademark Law.** Even without a national trademark registration, the prior user may attack the subsequent domain name user (“cybersquatter”) under the federal trademark dilution statute. Intermatic, Inc. v. Toeppen, 947 F. Supp. 1227, 40 U.S.P.Q.2d 1412, 41 U.S.P.Q.2d 1223 (N.D. Ill. 1996). Horseshoe Bay Resort Sales Co. v. Lake Lyndon B. Johnson Improvement Corp., 53 SW 3d 799 (Tex App – Austin 2001) (use of www.horseshoebay.com enjoined as comprising Texas trademark infringement and dilution). **(c) Renewal.** Use of a reminder service such as www.snapnames.com is advisable to guard against inadvertently neglecting to pay the annual domain name fee and losing it to someone else.

³² Trademark attorneys do trademark searches.

³³ “Fair use” is a defense to claims of infringement of a descriptive term. The fair use defense requires the defendant to prove that he used “a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin” 15 U.S.C. § 1115(b)(4). “A fair-use defense is established if (1) a defendant proves that its use is ‘other than a mark, (2) in a descriptive sense, and (3) in good faith.’” (*International Stamp Art, Inc. v. U.S. Postal Service*, 456 F.3d 1270 (11th Cir. 2006)). A defendant’s use of the term in a trademark sense bars the fair use defense. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978, F.2d 947 (7th Cir. 1992). On the other hand, (“[D]efendant has no independent burden to negate the likelihood of any confusion in raising the affirmative defense that a term is used descriptively, not as a mark, fairly and in good faith, § 1115(b)(4).”). *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 124 S. Ct. 542, 551 (2004).

³⁴ The value of a successful brand can be immense. COCA-COLA \$67B, MICROSOFT \$56B, IBM #56, GE \$48B, INTEL \$32B. The 100 Top Brands, *BusinessWeek*, August 7, 2006.

³⁵ Marks acquire power not by generally describing the type of goods and services sold, but by being different from the marks of other sellers of similar goods and services. Good marks are not incidentally different, it is how they derive their power. This logic is not apparent to the beginning business person who wants a mark that immediately informs prospective customers what the business sells. After the business is successful and being held back by a weak indistinguishable mark, the business person wishes the mark was unique enough to cut through the competitive clutter.

³⁶ Brand, a business’ perceived personality, can often be affected more easily than competitive elements such as scale, specialization, location, and technology and may be the business’ most important asset. Successful branding creates loyal customers with an emotional attachment to the mark. Over time, the incremental increase or lost opportunity to increase a business’ value due to controlling your brand is huge. But it must be differentiated brand.

³⁷ The most common mistake is not focusing on how to help customers sell your product or service to others. Learning what customers want, and using that to help your customers build *themselves* up by explaining your product is *the* solution to friends’ needs, creates a vast free army of salespersons. The story can be one your target audience already knows, modified to include your brand as the hero. This leverages existing subconscious emotions to your advantage.

³⁸ “Do you ever wonder why fishermen put bait on the hook? Well, let me tell you why. Because the fish doesn’t give a f— about you. The fish has his own agenda, which does not include getting in your boat and feeding your ass or getting you some money. It’s not on his list of things to do. You, on the other hand, need the fish. So it’s incumbent on you to motivate the fish, and it’s incumbent on you to know what that fish likes. And they don’t all like the same thing, which is your f—ing problem too. If you are smart enough to know something about the f—ing fish and where he resides and you put the right bait on, he might get off his ass and help you.” (Gordon Berthune, CEO, Continental Airlines, *Texas Monthly*, April 2005)

³⁹ Ford used MUSTANG to market automobiles to young American males, Sears chose DIE HARD to market automotive batteries to females (surveys revealed this is what females want from a battery). McDonald’s choice of HAPPY MEAL illustrates identifying a target submarket and pitching to it. Like a great word mark, a logo should help tell your chosen best story.

⁴⁰ A good comprehensive set of trademark useage rules can be found at www.sun.com/policies/trademarks/. A trademark can lose distinctiveness to the point of becoming generic and unprotectable, genericide. For example, THERMOS, ESCALATOR, ASPIRIN, and CELLOPHANE were protectable trademarks and became generic.

⁴¹ “Likelihood of confusion” means: (1) confusion by an appreciable number of ordinary prudent consumers is not just possible, but probable. (2) concerning the “source, affiliation, or sponsorship” of defendant’s goods or services or whether defendant received permission from plaintiff to use defendant’s mark. *Pebble Beach Co. v. Tour 181 Ltd.*, 155 F.3d 526, 543 (5th Cir. 1998). The Fifth Circuit uses a seven-part “digits of confusion” test. In addition to point-of-sale confusion, actionable confusion can include “initial interest confusion,” *Elvis Presley Entertainment v. Capece*, 141 F.3d 188, 204 (5th Cir. 1998) and post-sale confusion. *Levi Strauss & Co. v. Blue Bell Inc.*, 632 F.2d 817 (9th Cir. 1980).

⁴² Possible defenses to a charge of trademark infringement comprise: fair use, nominative use, First Amendment, laches (Begin running when plaintiff knew or should have known of the infringement. *Kenneth Abraham d/b/a Paddle Tramps Mfg. Co. v. Alpha Ci Omega*, 708 F.3d 614 (5th Cir. 2013) (Laches bars monetary recovery, but not injunction); *Champagne Louis Roederer v. J. Garcia Carrion, S.A.*, 569 F.3d 855 (8th Cir. 2009) (Defendant who knew of trademark owner’s objection cannot assert laches); unclean hands, parody, non-trademark use, senior mark

is not protectable, estoppel, statute of limitations, misuse (such as sham litigation); abandonment via naked license, assignment in gross, acquiescence, failure to police, non-use, waiver, loss of distinctiveness; invalid registration; senior user's consents or settlement agreements with a non-parties; first use; innocent first remote use; mere *de minimus* confusion; fraudulent registration, etc.

⁴³ Plaintiff can sometimes recover up to three times its actual damages. 15 U.S.C. § 1117; Dial One of the Mid-South Inc. v. Bell South Telecomm Inc., 269 F.3d 523, 527 (5th Cir. 2001). The plaintiff may sometimes recover the defendant's profits. Quick Technologies Inc. v. Sage Group PLC, 313 F.3d 338, 348-49 (5th Cir. 2002).

⁴⁴ "The Court in exceptional cases may award attorney's fees to the prevailing party." 15 U.S.C. § 1117. Seven-Up Co. v. Coca-Cola Co., 86 F.3d 1379 (5th Cir. 1996). A prevailing defendant may also sometimes recover his attorney's fees if the suit was brought in bad faith. Proctor & Gamble Co. v. Amway Corp., 280 F.3d 519 (5th Cir. 2002).

⁴⁵ 15 U.S.C. §1117(c). Statutory damages for willful copying of a registered mark may reach \$1,000,000.

⁴⁶ 18 U.S.C. §2320.

⁴⁷ Zocchini v. Scripps-Howard Broadcasting Co., 97 S. Ct. 2849 (1977) ("Human Cannonball"), Tex. Prop. Code §26.002 (Buddy Holly statute grants a 50-year right of publicity from death). Mantle v. The Upper Deck Club, 956 F.Supp 719 (N.D. Tex. 1997) (Chapter 26 permits exemplary damages). Different states' statutes vary widely.

⁴⁸ Coin v. Hearst Corp., 878 S.W.2d 577 (Tex. 1994) (right (1) to be left alone in private matters, (2) to freedom from public disclosure of private facts, and (3) against appropriation of name or likeness for commercial use, and declining to recognize a "false light" right of privacy.)

⁴⁹ Statutory unfair competition law is stated in 15 U.S.C. § 1125(a) and Tex. Bus. & Comm. Code § 16.29 (prescribing "an act likely to injure the business reputation"), and takes several forms: (a) **misappropriation**, compare, Zocchini v. Scripps-Howard Broadcasting Co., 97 S. Ct. 2849 (1977) (short "Human Cannonball" TV clip unlawful) with, Cardtoons L.C. v. Major League Baseball Players Assn., 95 F.3d 959 (10th Cir. 1996) (public's interest in free expression overcame right of publicity). (b) **misrepresentation**, Lexmark Int'l v. Static Control, 134 S. Ct. 1377 (2014) (Lexmark unfairly competed when it "falsely advertised that Static Control infringed Lexmark's patents"); Proctor & Gamble v. Haugen, 222 F.3d 1262 (10th Cir. 2000) (Amway distributor's message that Proctor & Gamble's profits funded "church of Satan." Pizza Hut, Inc. v. Papa John's International, Inc., 227 F.3d 489 (5th Cir. 2002) ((1) "Better Ingredients-Better Pizza" slogan was non-actionable puffery because it was not a statement of fact that customers rely on, (2) but, when used with sauce and dough ads, was actionably misleading, (3) but, the deception did not cause consumers to buy more Papa John's pizza.- so it was ok). (c) **Reverse confusion**, the junior user's marketing causes customers to mistakenly believe the senior user is a second comer or infringer. King v. Ames, 179 F.3d 370 (5th Cir. 1999). But see, Dastar Corp. v. Twentieth Century Fox Film Corp., 123 S. Ct. 2041 (2003) (The copyright in Dwight Eisenhower's World War II book, *Crusade in Europe* was renewed but not the copyright in a TV series based on the book. Unaccredited use of unauthorized revision of the expired broadcast material was lawful).

⁵⁰ Dilution may occur through blurring or tarnishing. "Dilution by blurring is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). "Dilution by tarnishment is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." 15 U.S.C. § 1125(c)(2)(C). a. **Federal Statute**, 15 U.S.C. §1125(c). The federal antidilution statute is limited to the protection of "famous marks" determined in accordance with four factors. Willful federal dilution can result in damages. An amendment to 15 U.S.C. § 1125(c) overturned Mosely v. Secret Catalogue, Inc., 123 S. Ct. 1115 92003). A mark on the Principal Register cannot cause dilution under any state law. Fair use and noncommercial use of another's mark is lawful. 15 U.S.C. § 1125(c)(3). TM, Inc. v. Maxwell, 368 F.3d (5th Cir. 2004). b. **Texas Statute**. Texas law is similar, but requisite fame is determined locally.

⁵¹ (a) **A naked license** is a trademark license in which the licensor does not sufficiently control the licensee's use of the mark, causing abandonment of the licensor's rights. Moore Business Forms, Inc. v. Ryu, 960 F.2d 486 (5th Cir. 1992) (Consent-to-use distinguished from naked license). (b) **Failure to police** or acquiescence occurs when a trademark owner fails to enforce his rights against infringers for long enough and in appropriate circumstances that his rights are abandoned due to the mark losing its distinctiveness. (c) **Assignment in gross** is an assignment of the mark apart from its goodwill, which comprises trademark abandonment. Interstate Net Bank v. Net B@nk, Inc., 348 F.Supp 2d 340 (NJ 2004). These are technical matters with many nooks and crannies for the unwary.

⁵² Assignment of a registered mark must be recorded within three months of the purchase or it may be unenforceable against a subsequent innocent purchaser. 15 U.S.C. §1060.

⁵³ http://cbp.gov/xp/cgov/import/commercial_enforcement/IPR/.

⁵⁴ “Expression” is what is not functionally necessary. This may be the work’s (1) content, or (2) “compilation” *i.e.* selection (list of San Antonio’s 50 best restaurants) or arrangement. Works which do not contain enough expression are not copyrightable. Feist Publications, Inc. v. Rural Tel. Service Co., 111 S. Ct. 1282 (1991). (Telephone white pages not copyrightable because it is merely an alphabetical arrangement of factual data. Many foreign countries grant copyright like protection to industrial designs upon rules that judge the importance of “functionality” differently than U.S. copyright law. Industrial design protection typically requires timely obtaining an industrial design registration.

⁵⁵ “A work is ‘fixed’ in a tangible medium of expression when its embodiment in any copy or phonorecord . . . is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” 17 U.S.C. §101.

⁵⁶ “Works of Authorship,” 17 U.S.C. §§101-102. Trade dress protection may apply if the work is recognized by the public as a work of the owner. Romm Art Creations Ltd. V. Simcha Int’l, Inc., (1992) W.L. 52527.

⁵⁷ 17 U.S.C. §102(b). Section 102(b) embodies the so-called idea/expression dichotomy as a method for separating unprotectable elements of a work from protectable elements. AM Dental Ass’n v. Delta Dental Plans Ass’n, 126 F.3d 977, 981 (7th Cir. 1997) (“Someone who buys a book full of ideas for a new machine may build and sell one of the machines without infringing the author’s copyright.”).

⁵⁸ Feist Publications, Inc. v. Rural Tel. Serv. Co., 111 S. Ct. 1282 (1991). “Words and short phrases such as names, title, and slogans; familiar symbols or designs; mere variations of typographic ornamentation, lettering or coloring; mere listing of ingredients or contents” are not copyrightable. 37 C.F.R. §202.1.

⁵⁹ If a work embodies both functional and expressive features, the expressive features may be copyrightable. Galiano v. Harrah’s Operating Company, 416 F.3d 411 (5th Cir. 2005) ([T]he copyrightability of a useful article seems, at some elemental level, to turn on the capacity of an item to moonlight as a piece of marketable artwork.”).

⁶⁰ A short bare bones recipe likely lacks sufficient form creativity as opposed to content creativity (i.e., a functional “procedure, process, [or] system.” 17 U.S.C. §1026(b), that is subject to patent protection) to be copyrightable. Publication International, Ltd. v. Meridith Corp., 88 F.3d 473 (7th Cir. 1996).

⁶¹ The merger doctrine precludes copyright protection where the information or idea merges with the only way to express the information or idea. *Compare*, Kern River Gas Transmission Co. v. Coastal Corp., 899 F.2d 1458 (5th Cir. 1990), *with*, Mason v. Montgomery Data, Inc., 967 F.2d 135 (5th Cir. 1992).

⁶² 17 U.S.C. §302(a). For joint works, the term ends 70 years after the last surviving author’s death. Terms are measured from the end of the calendar year of the author’s death. Copyright duration varies from country to country. Copyright rights have expired on all U.S. works registered or published before 1923. Generally, works first registered or published before January 1, 1978, are protected for an initial term of 28 years and, if renewed, for a renewal term of 67 years for a total of 95 years. Copyrights still in their first 28 year term on January 1, 1978 were automatically renewed. The renewal period is extended by Congress from time to time to protect powerful Hollywood studios’ profitable films. Unpublished pre-1978 works which were still not published as of December 31, 2002 are treated under the § 302 timelines discussed in the text. Unpublished pre-1978 works which were then published before December 31, 2002 have the same copyright duration timelines except that they in no event expire before December 31, 2047.

⁶³ 17 U.S.C. §302(c).

COPYRIGHT DURATION

Dates	Term
Published or registered before 1923	Public domain
Published or registered 1923-1963 and not renewed	Public domain

Published with © notice or registered 1923-1963 and renewed	95 years from when secured (no registration benefits if not renewed)
Published with © notice or registered 1964-1977	95 years from when secured (but no registration benefits unless renewed)
Published without © notice pre-1978	Public domain
Created pre-1978, but not published or registered	Life plus 70 years and, if published before 2003, at least through 2047
Created after 1977 and published without © notice before 3/1/89	Public domain unless reclaimed, e.g. registration within five years, etc.
Created after 1977 and published with © notice before 3/1/89 Created after 1977 and not published until after 3/1/89	Life plus 70 years (but if made for hire, earlier of 95 years from publication or 120 years from creation)

There are lots of exceptions. Works created before January 1, 1978 are subject to different rules. Copyright assignments may be terminated between the 35th and 40th years, notwithstanding any agreement to the contrary.

Foreign works are different. For example, the duration of copyrights in Mexico is life plus 100 years. In Europe, duration is typically life plus 70 years. Certain works first published outside the USA, formerly in the public domain, came back into copyright protection due to the GATT. For renewal status see www.copyright.gov/cirs/circ15.html.

⁶⁴ If direct infringement occurs, others may be held liable via contributory infringement and vicarious liability. Compare Metro-Goldwyn-Mayer v. Grokster Ltd., 545 U.S. 125 S. Ct. 2764 (2005) (pier to pier system induced infringement in part because promoter advertised using it to copy), with, Sony Corp. of America v. Universal City Studios 464 S. Ct. 417 (1984) (VCR manufacturer did not induce infringement, because the recorder had a “substantial non-infringing use” and plaintiff failed to submit “inducing” evidence).

⁶⁵ Protectability includes originality, authorship, and compliance with copyright formalities such as proper registration and ownership. A copyright registration is *prima facie* proof of all of these elements. 17 U.S.C. §401(c).

⁶⁶ If the defendant’s work is identical to the plaintiff’s copyrighted work, but the defendant independently created his work, then there is no copyright infringement because there is no “copying.” The copyright owner has several exclusive rights in addition to the right to prevent copying. For example, to distribute the work or copies of it, create derivative works based on the work, to display the work, to perform the work publicly, etc. 17 U.S.C. §106.

⁶⁷ The jury is typically instructed to use a three-step test in determining the infringing similarity question: (1) an “abstraction” step to identify the progressively-higher levels of abstract concepts applicable to Plaintiff’s work, (2) a “filtration” step separating protectable expression from nonprotectable material and (3) a “comparison” step comparing the remaining protectable portion of Plaintiff’s work with the Defendant’s work. The less original the copyright owner’s work, the “thinner” its scope of protection. Matthews v. Freedman, 157 F.3d 25 (1st Cir. 1998) (“Someone went to Boston and got me this shirt because they love me very much” not infringed by “Someone who loves me went to Boston and got me this shirt”). Ets-Hokin v. Skyy Spirits, Inc., 225 F.3d 1068 (9th Cir. 2003) (Defendant’s photo of same bottle did not infringe Plaintiff’s photo. “Though the [Plaintiff’s and Defendant’s] photographs are indeed similar, their similarity is inevitable, given the shared concept, or idea, of photographing the Skyy bottle. When we apply the limiting doctrines, subtracting the unoriginal elements, [Plaintiff] is left with only a ‘thin’ copyright, which protects against only virtually identical copying.”).

⁶⁸ Copyright infringement defenses include: invalid copyright, laches, estoppel, statute of limitations, fair use, independent creation, copyright misuse, unclean hands, waiver, First Sale doctrine, parody, invalid registration, etc.

⁶⁹ 17 U.S.C. §107. There is an “inherent tension in the need simultaneously to protect copyrighted material and to allow others to build upon it.” Campbell v. Acuff-Rose Music, Inc., 114 S. Ct. 1164 (1994). The accused publication’s effect on the economic market for the copyright owner’s materials is the “single most important element of fair use.” Harper & Row Publishers, Inc. v. Nat’l Enterprises, 471 U.S. 539 (1985). Princeton University Press v. Michigan Document Services, Inc., 37 U.S.P.Q.2d 1673 (6th Cir. 1996) (Defendant’s production of “core specs” comprised of excerpts of original materials for student use held to be a fair use. Excellent discussion of the four fair use factors together with an excellent dissenting opinion.)

⁷⁰ For example, the several divisible copyright rights in a successful song are typically licensed as: (a) mechanical license to initially reproduce and distribute the sound recording on CDs; (b) compulsory mechanical license for musical compositions that have been previously recorded at a standard statutory rate; (c) synchronization license to synchronize the song into an audio visual work such as a film or website; (d) performance license to perform the song publicly such as at a church or theatre; and (d) publishing license to create printed sheet music of the song.

⁷¹ 17 U.S.C. §§101, 103.

⁷² While the text states the majority rule, this is the subject of disagreement among the courts. Some courts hold that if a preexisting work “pervades” the unauthorized derivative work, then the derivative work is not entitled to copyright protection. Sobhani v. @radical.media, Inc., 257 F. Supp. 2d 1234 (C.D. Cal 2003); Eden Toys Inc. v. Floreless Undergarments Co., 697 F.2d 27, 34 n.6 (2nd Cir. 1982). Other courts hold that no new copyright rights are created in any unauthorized derivative work. Pickett v. Prince, 207 F.3d 402 (7th Cir. 2000).

⁷³ Compare Galiano v. Harrah’s Operating Co., 416 F.3d 411, 420 (5th Cir. 2005) (Invalidating copyright in Harrah’s uniform “[T]he copyrightability of a useful article seems, at some elemental level, to turn on the capacity of an item to moonlight as a piece of marketable artwork.”) *with*, Chosun International Inc. v. Chrisha Creations, Ltd., 413 F.3d 324, 329 (2nd Cir. 2005) (Reversing summary judgment which invalidated copyright in costume “while design elements that “reflect a merger of aesthetic and functional considerations . . . cannot be said to be conceptually separable from the utilitarian elements,” [not eligible for copyright protection, citation omitted] “where design elements can be identified as reflecting the designer’s artistic judgment exercised independently of functional influences, conceptual separability exists. [are eligible for copyright protection].”

⁷⁴ 17 U.S.C. §§101, 102. If the work was publicly distributed before March 1, 1988, without a copyright notice or with a copyright notice that misled the infringer then, even if the copyright is valid, the infringer’s proof of his good faith is a complete defense. 17 U.S.C. § 406(a). Otherwise, omission or garbling the copyright notice merely lets the infringer argue his infringement was not willful.” 17 U.S.C. § 504.

⁷⁵ For phono records, ® should be substituted for ©. 17 U.S.C. §402(b).

⁷⁶ If the year date in the notice is more than one year later than the year first publication, the work is considered to have been published without any notice. 17 U.S.C. §405(c). If the work is revised, the year date of the original and each published revision should be included. Example: “Copyright, Mark Miller 1987-2016.” Prior to March 1, 1991, publication without proper notice forfeited copyright rights.

⁷⁷ See 17 U.S.C. §401(b).

⁷⁸ Registration is not a prerequisite to an infringement action for Berne Convention works whose country of origin is not the United States. 17 U.S.C. §411.

⁷⁹ 17 U.S.C. §412. An award of statutory damages for willful copyright infringement is not dischargeable in bankruptcy. Works originally copyrighted between January 1, 1950, and December 31, 1977, have additional protections if their registrations are timely renewed rather than relying on the Copyright Acts’ automatic renewal provisions. A prevailing defendant may recover its attorney’s fees whether or not the work was promptly registered. Fogerty v. Fantasy, Inc., 114 S. Ct. 1023 (1994).

⁸⁰ “Prior Registration” means the infringement commenced either (a) after the work was registered or (b) if the infringement commenced after the first publication of the work and before the date of its registration, the registration was within three months after the first publication of the work. A copyright infringement suit cannot even be filed without an application for copyright registration on file. The effective date of a copyright registration is the date its application was received by the Copyright Office. The only question this chart addresses is whether the registration was obtained before or after the infringer began the infringement.

⁸¹ The less expensive method is to protect several works in one collection application for one filing fee. Szabo v. Errison, 68 F.3d 940 (5th Cir. 1995). If litigation is likely, individual registrations can be obtained to improve the odds of obtaining a substantial monetary statutory remedy since statutory remedies may be awarded for each work

infringed and individual registrations may help with the “copied a substantial part” of the work burden of proof. The number of registrations, however, does not necessarily determine the number of works.

⁸² Raquel v. Education Mgmt. Corp., 196 F.3d 171 (3rd Cir. 1999) (designating work as “audio visual work” rather than “musical work” in copyright application was a material mischaracterization invalidating the registration); Qad, Inc. v. ALN Assoc., Inc., 770 F. Supp. 1261 (N.D. Ill. 1991) (copyright unenforceable due to improper application), *aff’d*, 974 F.2d 834 (7th Cir. 1992); Lasercomb America, Inc. v. Reynolds, 911 F.2d 970 (4th Cir. 1990); Whimsicality, Inc. v. Rubies Costumes, Co., 891 F.2d 452 (2nd Cir. 1989) (deliberate misclassification of item in application invalidated copyright); GB Mktg. USA, Inc. v. Gerlsteiner Brunnen GmbH & Co., 782 F. Supp. 763 (W.D.N.Y. 1991) (knowing failure to disclose material information in copyright application with intent to deceive the Copyright Office invalidated the copyright).

⁸³ 17 U.S.C. §201(a). “The authors of a joint work are co-owners of copyright in the work.” *Id.* A work is not a joint work unless more than one author adds independently copyrightable contributions. BancTraining Video Systems v. First American Corp., 956 F.2d 268 (6th Cir. 1992). An author of a collective work only obtains a copyright in his “separate contribution to the work.” 17 U.S.C. §201(c). Although the matter is not clear, it appears that copyright rights are separate rather than community marital property. Rodrigue v. Rodrigue, 218 F.3d 432 (E.D. La. 2000).

⁸⁴ A “joint work” is a work prepared by two or more authors “with the intention that their contributions be merged into inseparable or interdependent parts of unitary whole.” 17 U.S.C. §101. Each co-owner is akin to a tenant in common. Compensation received by a co-owner for use of the work must be shared with the other co-owners.

⁸⁵ “A ‘work made for hire’ is – (1) a work prepared by an employee within the scope of his or her employment.” 17 U.S.C. § 101. “In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for the purposes of this title” 17 U.S.C. § 201. The Supreme Court adopted the Restatement (Second) of Agency (1958) to define “employee” or “scope of employment.” Considering regular hours, W-2 tax form, employer provides the work place, and employee’s method of performance is subject to employer’s instructions. Community For Creative Non-Violence v. Reid, 109 S. Ct. 2166 (1989); Restatement (Second) of Agency §§2, 220, 228. Works for hire also include very restricted class of works specially ordered or commissioned if the parties expressly agree in a “written instrument signed by them” that the work shall be a work for hire. 17 U.S.C. § 101.

⁸⁶ A work created by an employee outside of his “scope of employment” belongs to the employee, not the employer. 17 U.S.C. §§101, 201(b); **(a) Scope of Employment.** Easter Seal Soc’ v. Playboy, 108 S. Ct. 1280 (1988) held the common law of agency is relevant to analyze the copyright statutes’ “within the scope of employment” term and cited the Restatement (Second) of Agency §228 (1958) which provides “(1) conduct of a servant is within the scope of employment if, but only if: (a) it is of the kind he is employed to perform; (b) it occurs substantially within the authorized time and space limits; [and] (c) it is actuated, at least in part, by a purpose to serve the master.” However, §228 was written to determine respondent superior liability of the employer for the tortious acts of the servant, and not with copyright issues in mind. Section 228 does not provide a bright line rule. **(1) Within scope of employment:** Genzmer v. Public Health Trust of Miami-Dad County, 219 F. Supp. 2d 1275 (S.D. Fla. 2002) (Created software on home computer, no additional compensation, program within job description, tested on employer’s computers, tailored to employer’s needs.); Miller v. CP Chemicals, Inc., 808 F. Supp. 1238 (D. S.C. 1993) (Supervisor not hired to write software, software authored on home computer, but incidental to his job.) **(2) Not within scope of employment:** Avtec Systems, Inc. v. Peiffer, 1994 U.S. Dist. LEXIS 16946 (E.D. Va. 1994), *aff’d*, 1995 U.S. App. LEXIS 25901 (4th Cir. 1995) (Program within job description, co-workers helped debug on company time, mainly created on home computer, no additional compensation except \$5,000 bonus.) Shaul v. Cherry Valley-Springfield Cent. Sch. Dist., 363 F.3d 177 (2nd Cir. 2004) (High school math teacher’s lessons, tests and homework problems.) Vanderhurst v. Colorado Mountain College Dist., 16 F. Supp. 2d 1297 (D. Colo. 1998), *aff’d*, 208 F.3d 908 (10th Cir. 2000) (Professor’s class outline prepared at home, but college policies required such work and outline directly connected to job.) Quinn v. City of Detroit, 988 F. Supp. 1044 (E.D. Mich. 1997) (City Attorney created software to manage litigation on home computer, and spent many hours using it at work; however, writing software not within scope of employment and using and maintaining the software was done after program authored at home.) City of Newark v. Beasley, 883 F. Supp. 3 (D. N.J. 1995) (Police officer created materials at home used in public anti-theft education program.) Roeslin v. District of Columbia, 921 F. Supp. 793 (D.D.C. 1995) (Economist wrote software to automate data received by employer, not hired to write software.) **(b) “Incidental acts”** are within scope of employment. “An act incidental to an authorized act, although considered

separately, it is an entirely different kind of act. To be incidental, however, it must be one which is subordinate to or pertinent to an act which the servant is employed to perform. It must be within the ultimate objective of the principal and an act which is not unlikely that such a servant might do.” Restatement (Second) of Agency §229 Comment B (1958). **(c) Estoppel.** If the employee permits the employer to become dependent on the employee’s work, the employee may be estopped from suing the employer for infringement. Carson v. Dynegy, Inc., 344 F.3d 446 (5th Cir. 2003). **(d) Specially commissioned works.** Works for hire also include a very restricted class of specially ordered or commissioned works if the parties expressly agree in a “written instrument signed by them” that the work shall be a work for hire. 17 U.S.C. §101.

⁸⁷ 17 U.S.C. §204(a); Dean v. Burrows, 732 F. Supp. 816 (E.D. Tenn. 1987) (endorsed check can qualify as a transfer document). This statutory requirement can be an unyielding snare. “a transfer of copyright is simply ‘not valid’ without a writing.” Lyrick Studios, Inc. v. Big Idea Productions, Inc., 420 F.3d 388 (5th Cir. 2005). Statutory decrees trump the common law and common sense. Although performance of an oral agreement overcomes most “Statute of Frauds” rules, such as those requiring a writing to transfer title to real property, not even full performance of an oral transfer of copyright ownership defeats § 204(a) requirement for a “writing and signed by the owner.” Lyrick Studios, supra.

⁸⁸ “Transfer of ownership of any material object . . . does not itself convey any rights in the copyright embodied in the object . . .” 17 U.S.C. §202. This emphasizes the importance of distinguishing between the copyright right and the material object.

⁸⁹ A non-exclusive copyright license (a mere right to use) does not need to be in writing. It can be oral. One who orders a work may have an implied license to use the work for the purpose underlying the purchase agreement. Effects Assoc., Inc. v. Cohen, 908 F.2d 555 (9th Cir. 1990), *cert. denied*, 111 S. Ct. 1003 (1991); MacLean Assoc., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc., 952 F.2d 769 (3rd Cir. 1992) (non-exclusive implied license to use only in its business to employer whose employee authored software outside of his scope of employment.) A wicked trap is that “an exclusive license” [even one for a limited term] is a “transfer of copyright ownership.” 17 U.S.C. § 101; Lyrick Studios, Inc., supra, subject to the 17 U.S.C. § 204(a) “writing and signed by the owner” requirement to be valid.

⁹⁰ While this will often be sufficient, a longer agreement enumerating each of the copyright rights transferred, pending causes of action, exclusive use, renewal, moral rights, (17 U.S.C. §§106, 106A, 203) rights of publicity and privacy Price v. Hal Roach Studios, Inc., 400 F. Supp. 836 (S.D. N.Y. 1975) and Price v. Wolrddivision Enterprises, Inc., 455 F. Supp. 252 (S.D. N.Y. 1978), *aff’d*, 603 F.2d 214 (2nd Cir. 1979) should be signed to safely get all rights. Cassway vs. Chelsea Historic Properties, L.L.P., 26 U.S.P.Q.2d 1791 (E.D. Pa. (1993) (Architect’s agreement that drawings were “property” of developer insufficient to transfer copyright rights.) Playboy Enterprises, Inc. v. Duman, 831 F. Supp. 295 (S.D. N.Y. 1993), *aff’d*, 42 U.S.P.Q.2d 1511 (assignment of “all right, title and interest” in paintings did not transfer the copyright to the paintings). A claim of co-ownership of copyright occurs when express repudiation is communicated to the claimant and is barred if not asserted within three years. Zuill v. Shanahan, 80 F.3d 295 (9th Cir. 1996).

⁹¹ “The one [transfer] executed first prevails if it is recorded [in the Copyright Office] Otherwise, the later transfer prevails if recorded first” 17 U.S.C. §205(d). Prior licenses given by the author are not affected by an assignment. There is no one month grace period within which to file the assignment to you to protect against the assignor validly licensing to protect against the assignor validly licensing to a good faith licensee. Until the assignment is recorded, the assignor can continue to grant licenses. Broadcast Music, Inc. v. Staenberg, 36 U.S.P.Q.2d 1495 (C.D. Cal. 1995) (security interest in copyright right that is not recorded in Copyright Office is not perfected).

⁹² 17 U.S.C. §1201, *et seq.* To unlawfully “circumvent a technological measure” is to “descramble a scrambled work, to decrypt an encrypted work or otherwise avoid, bypass, remove, deactivate or impair a technological measure, without the authority of the copyright owner.” 17 U.S.C. §1201(a)(3)(A). The DMCA also forbids defeating copyright management systems, defined as anything that identifies a copyrighted work. 17 U.S.C. §1202(c). Although limited safe harbor provisions exist for passive internet service providers. The DMCA controls the act of access to a work, without consideration of what use the person will make of the work. Copyright law controls the act of copying. The access step and the copying step are different physical and conceptual acts. Copyright law considerations such as “fair use,” and constitutional considerations such as the First Amendment are irrelevant to the DMCA; Perfect 10, Inc. v. Cybernet Ventures, Inc., 213 F. Supp. 2d 1146 (C.D. Cal. 2002).

⁹³ Misappropriation elements are “(i) the creation of plaintiff’s product through extensive time, labor, skill and money, (ii) the defendant’s use of that product in competition with the plaintiff, thereby gaining a special advantage in that competition (i.e., a ‘free ride’) because defendant is burdened with little or none of the expense incurred by the plaintiff, and (iii) damage to the plaintiff.” Int’l News Serv. v. Associated Press, 39 S. Ct. 68 (1918); United States Sporting Products, Inc. v. Johnny Stewart Game Calls, Inc., 865 S.W.2d 214 (Tex. App.–Waco 1993, writ denied), (Plaintiff awarded damages due to defendant’s copying from plaintiff’s game call tape to create a competitive game call tape. Perhaps the action was not preempted by copyright law because the bird calls were not copyrightable subject matter.), National Basketball Association v. Motorola, 105 F.3d 841 (2nd Cir. 1997) (No “authorship” by anyone in the basketball game itself only its broadcast. Thus, defendant’s real-time broadcast of NBA game scores was not actionable), *contra*, United States Golf Assn. v. Arroyo Software Corp., 40 U.S.P.Q.2d 1840 (Calif. Sup. 1996), *aff’d*, 81 Cal.Rptr.2d, 708 49 U.S.P.Q.2d 1979 (Cal.Ct.App. 1999) (use of USGA handicapping system a misappropriation). A misappropriation claim will not survive copyright pre-emption unless it includes an “extra element” not found in a copyright claim against the complained of act. Butler v. Continental Airlines, 31 S.W.3d 642 (Tex. App.–Houston 2000, pet. denied) (misappropriation of programs preempted), *contra*; Grosso v. Miramax Film Corp., 383 F.3d 965 (9th Cir. 2004) (state implied contrast claim for use of copyrighted script not preempted); Alcatel USA, Inc. v. DGI Technologies, 166 F.3d 772 (5th Cir. 1999); Data Gen. Corp. v. Grumman Sys. Support Corp., 795 F. Supp. 501 (D. Mass. 1992) (conversion claim that defendant took physical possession of copies of software not preempted); A business may be liable for falsely describing the origin of its goods or services or for reverse passing off. *See*, Trademarks, *supra*.

⁹⁴ “Works of visual art” are “a painting, drawing, print or sculpture” or “a still photographic image produced for exhibition purposes only” restricted to such 200 or fewer limited edition-such works that are individually signed and numbered by the author. 17 U.S.C. §101. Moral rights include preventing modification of the work, claiming authorship of it, and preventing a non-author’s name being used as the author unless disclaimed in writing. Any waiver must be signed by the author and specifically identify the work and the uses of that work to which the waiver applies, and the waiver applies only to the work and uses so identified. 17 U.S.C. §106A(e). Incorporation of a visual art work into a building, i.e., mosaic wall or floor, sculptures, carvings, etc., may prevent alteration or destruction of the building. Carter v. Helmsley-Spear, Inc., 861 F. Supp. 303 (S.D. N.Y. 1994), *reversed on other grounds*, 77 F.3d 77 (2nd Cir. 1995), *cert. denied*, 116 S. Ct. 1824 (1996) (subject lobby sculpture a work for hire). For works created after June 1, 1991, moral rights end upon the death of the last surviving author. This preempts portions of several state laws. Some similar protections are afforded authors under 15 U.S.C. §1125(a). Gilliam v. American Broadcasting Co., 538 F.2d 14 (2nd Cir. 1976) (Monty Python prevented broadcast of edited show).

⁹⁵ Electronic Theft Act.

⁹⁶ *Compare*, Goodman v. Lee, 78 F.3d 1007 (5th Cir. 1996) (Ten years under state law), *with*, Zull v. Shanahan, 80 F.3d 1366 (9th Cir. 1996) (Three years under Copyright Act).

⁹⁷ As always, there are exceptions. Some items protected by copyright in the U.S. are protected in foreign countries, if at all, by design patents or as industrial designs which must be filed within statutory periods. The Berne Convention, the international copyright treaty, requires member states to protect individually created works for at least life plus 50 years. Thus, for example, many Elvis Presley recordings are freely copied in Canada and Europe.

⁹⁸ A copyright right assignee may lose the copyright back to the author or his successors. (a) “author’s termination interest.” This is a right to terminate copyright grants between the 35th to 40th year of the grant for grants executed by the author after January 1, 1978. 17 U.S.C. §203. Transfers executed before January 1, 1978, may be terminated between the 56th and 61st year from the date the copyright was originally secured. 17 U.S.C. §304. (b) “Renewal.” Copyrights in pre-1978 works are renewed to the author or his successors (i.e., not the assignee) 28 years after being secured unless the renewal right was specifically assigned by the then current owner of the renewal right when it matures (i.e., an author’s assignment of the renewal right dies with the author if he dies before renewal comes up). 1964-1978 works are automatically renewed. (c) It’s Complicated. There may be an attorney somewhere who can recite from memory every aspect of renewal and author’s termination interest rights under §§ 203 and 304, who the proper claimants are, which copyright act amendment applies, etc., with respect to all possible variations and in each affected country and can state a comprehensive rule to resolve such issues, but in his decades of copyright law practice the author has not yet met such a person. If any works more than 25 years old are commercially important these issues should be taken to a copyright attorney together with all of your applicable facts.

⁹⁹ Alcatel USA, Inc. v. DGI Technologies, Inc., 166 F.2d 772 (5th Cir. 1999); Lasercom of America, Inc. v. Reynolds, 15 U.S.P.Q. 1846 (4th Cir. 1990) (Restraint on licensee creating new software invalidated copyright.) *See*, Atari Games Corp. v. Nintendo of America, Inc., 24 U.S.P.Q.2d 1145 (Fed. Cir. 1992).

¹⁰⁰ <https://www.jw.com/copyright-infringement/>

¹⁰¹ 35 U.S.C. §101. Generally, it must actually work and not be frivolous or immoral. Working models are only required for perpetual motion machines. § 101 limits patentable subject matter to: processes, machines, articles of manufacture and compositions of matter. A law of nature, abstract idea, or mathematical formula is not patentable subject matter (“a method of adding two numbers to produce a sum”) whether a particular method which uses these to produce a practical result (“a method of adding two numbers to produce the sum owed by a customer”) is patentable subject matter. The form of the specific patent claim and its “inventive concept” determines whether § 101 invalidates the claim. Alice Corp. Pty. Ltd. v. CLS Bank International, 134 S. Ct. 2347 (2014).

¹⁰² 35 U.S.C. §102. Generally, an invention is “novel” if not known to others before conceived by the applicant. Country-specific bright line novelty rules are discussed below.

¹⁰³ 35 U.S.C. §103. Your invention must be (a) is non-obvious to a hypothetical “person having ordinary skill in the art to which said subject matter pertains”, a POSTIA (a person who regularly makes such items, not an expert in the field or a mere consumer of the item. The hypothetical POSTIA is presumed to be aware of all prior available knowledge in areas reasonably relevant to the problem the invention solved. (b) In light of the (1) scope and content of the prior art; (2) differences between the prior art and the claimed invention; (3) level of skill in the art; and (4) objective evidence of non-obviousness (“secondary considerations”), Graham v. John Deer Co., 86 S. Ct. 684 (1966). The test of non-obviousness is made as of the date the application was filed.

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¹⁰⁵ “Patentability shall not be negated by the manner in which the invention is made.” 35 U.S.C. §102; In re Hogan and Banks, 559 F.2d 595, 606 (C.C.P.A. 1977).

¹⁰⁶ Plants are patentable as utility patents in addition to the distinct protections afforded by the Plant Protection Act, 35 USC §161-164 and the Plant Variety Protection Act, 7 USC §2321 *et seq.*; JEM AG Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc., 122 S. Ct. 593 (2001).

¹⁰⁷ A U.S. utility patent lasts 20 years from the earliest filing date relied on for priority 35 U.S.C. § 154 not including a provisional application’s priority date. 37 C.F.R. §153(b)(1). (Subject to timely payment of maintenance fees.)

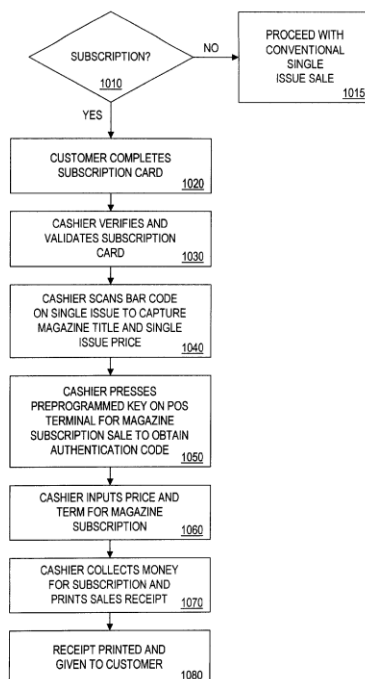
¹⁰⁸ Design patents are inexpensive and can protect against knock-offs that copy novel non-functional features. An accused product infringes a design patent if “an observer familiar with the prior art” would be deceived into purchasing the accused design supposing it to be the patented design. Egyptian Goddess, Inc. v. Swisa, Inc., 498 F.3d 1354, 1358, 84 U.S. P.Q. 2d 1046 (Fed. Cir. 2007) reh’g en banc granted, opinion vacated, 256 F.App’x 357 (Fed. Cir. 2007), and on reh’g en banc, 543 F.3d 665 (Fed. Cir. 2008). The doctrine of equivalents applies to design patents, a point best made by examining the designs published in Gorham v. White, 81 U.S. 571 (1871). An article may sometimes be protected by both or either a copyright registration and a design patent.

¹⁰⁹ A design patent’s 14 years run from the date of grant, not the date of filing. 35 U.S.C. § 173.

¹¹⁰ A business method patent is a utility patent that relates in some way to a method of doing business -- whatever that means. They are subject to special rules beyond the scope of this paper.

¹¹¹ U.S. Pat. No. 5,794,207.

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¹¹³ U.S. Pat. No. 5,851,117 (issued 12/22/98).

¹¹⁴ (a) **Prior art effective date.** Prior art is determined as of the effective filing date of the application. (b) **Prior art's effect on applications.** For the prior art to make your invention obvious and unpatentable (1) there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings; (2) there must be a reasonable expectation of success; and (3) the prior art reference (or references when combined) must teach or suggest all the claim limitations. To rebut the patent examiner's conclusion that prior art makes the invention obvious, the applicant submits evidence of unexpected results as shown by (1) commercial success of the claimed invention; (2) long felt need in the art for a solution to a known problem; (3) failure of others to solve a known problem; (4) skepticism of experts; and (5) copying the invention in preference to the prior art.

¹¹⁵ The PTO makes vast amounts of information available at www.uspto.gov. Anyone interested in any aspect of patents should set aside an unhurried Saturday morning to explore the PTO website and play "search and find" games there. Other useful internet sites are: <http://ep.espacenet.com> - best single site for non-USA patents; <http://ipdl.wipo.int> - access to the PCT (Patent Cooperation Treaty) database (Sign in as "guest"); www.hg.org - links to many IP sites; www.megalaw.com - links to several nations' patent offices.

¹¹⁶ 35 U.S.C. § 154. "Intentional 'designing around' the claims of a patent is not by itself a wrong which must be compensated by invocation of the doctrine of equivalents. Designing around patents is, in fact, one of the ways in which the patent system works to the advantage of the public in promoting progress in the useful arts, its constitutional purpose . . .". *Slimfold Mfg. Co. v. Kenkead Industries, Inc.*, 932 F.2d 1453 (Fed. Cir. 1991).

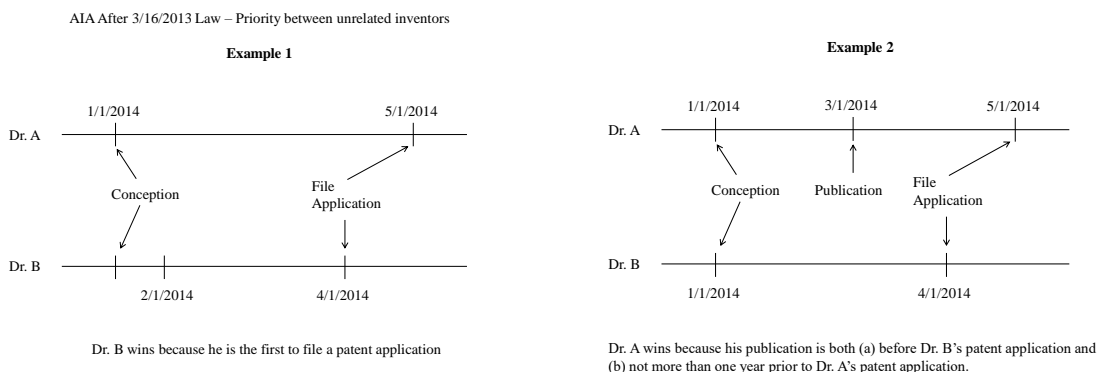
¹¹⁷ (a) **Literal Infringement.** The accused device or method literally infringes a claim if there is "correspondence of these elements [of the accused device]. . . with the components or steps of the accused device or process." *Festo Corp. v. Shoketsu Kinzoku Kogyu Kabushiki Co.*, 72 F.3d 857 (Fed. Cir. 1999), *reversed on other grounds*, 122 S. Ct. 1831 (2002). (b) **Equivalence Infringement.** Infringement is also found if there are only "insubstantial" differences between each element of the claim and the accused device. Equivalence is shown by comparing the function/way/result of the subject claim element with the function/way/result of the accused device's corresponding element. *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 117 S. Ct. 1040 (1997) (Accused 5.0 pH filtration infringed claimed "at a pH from approximately 6.0 to 9.0" element because (a) although the upper pH limit was included to distinguish the claim from the prior art, there was no patentability reason for including the lower pH limit, and (b) even a claim element narrowed by 35 U.S.C. § 112(6) has an equivalence scope). Amendments which

narrow a claim's scope usually preclude use of the doctrine of equivalents unless the patentee shows the amendments did not create an estoppel, the accused device was an "unforeseeable equivalent" beyond a fair interpretation of what was surrendered, or the subject equivalent has only "a peripheral relation to the reason the amendment was submitted." *Festo Corp. v. Shohesta Kinzoku Kogyo Kabuskiki Co.*, 122 S. Ct. 1831 (2002).

¹¹⁸ Whether an accused device or method reads on a claim is hugely complicated. (a) **The Patent's Scope is Not Defined by the Patent's Disclosure.** The scope of a patent's exclusive rights is defined by claims "claiming the subject matter which the applicant regards as his invention." 17 U.S.C. §112. A trap for the general public is that the scope of a patent's claims can be broader than the embodiment of the disclosure as long as the claimed broader scope is enabled by the disclosure. "[A]lthough the specification often describes very specific embodiments of the invention, we have repeatedly warned against confining the claims to those embodiments." *Phillips v. AWH Corp.*, 415 F.3d 1303, at 1325 (Federal Cir. 2005); *Rexond Corp. v. Laitram Corp.*, 274 F.3d 1336 (Fed. Cir. 2001) ("specifications teach, claims claim"). (b) **Claim Construction.** Construction of a claim's scope is analogous to real property law deed construction. Decades of court decisions are relied on by patent attorneys who write claims and courts who read claims. Whether an accused device infringes a claim is often determined by a Byzantine set of grammatical and linguistic rules. *ScanDisk Corp. v. Memorex Products, Inc.*, 415 F.3d 1278 (Fed. Cir. 2005) ("includes" is equivalent to "comprising"), *Powell v. Home Depot*, ____ F.3d ____ (2011) ("prior art cited in a patent or cited in the prosecution history of the patent constitutes intrinsic evidence").

¹¹⁹ The American Invents Act was signed into law on September 16, 2011. It made sweeping changes to U.S. patent law, 35 United States Code § 1 et seq. The amendments take effect a few at a time through March 16, 2013.

¹²⁰ **On or After-March 16, 2013 Law.** 35 U.S.C. § 102(a)(3). The first inventor to file has priority, subject to exceptions.



¹²¹ Dr. A's priority is limited to what his publication properly disclosed.

¹²² The Act excludes narrow categories of patents and published applications from being patent killing prior art if they are the inventor's own work. These include patents and applications that disclose information obtained from the inventor; were derived from information described in a publication by the inventor or one who obtained the information from the inventor, or were owned by or subject to an obligation to be assigned to a common owner. The true inventor can acquire the earlier application through a derivation proceeding filed within a year of the target application being published to determine whether the invention in one application was derived from the work claimed in another later application. 35 U.S.C. §135.

¹²³ **Prior Art.** Prior art exists under new 35 U.S.C. § 102(a) if a disclosure establishes that: "(1) *the claimed invention* was patented, described in a printed publication, or in public use, on sale, or otherwise *available to the public before the effective filing date...*, [or] (2) *the claimed invention was described in a patent* issued under section 151, or *in an application for patent published* or deemed published under section 122(b), in which the patent or application, as the case may be, *names another inventor* and was *effectively filed before the effective filing date*" New 35 U.S.C. § 102(a)(1) and (2) (emphasis added). This priority is limited to what is properly disclosed in the early publication.

¹²⁴ **Not Prior Art.** (a) **Commonly owned patents.** Commonly owned or derived patents and publications commonly owned or derived from the inventor are not prior art. 35 U.S.C. § 102(a). (b) **Inventor's Publications.** The

inventor's own disclosure made within one year before filing the application are not prior art. (c) Secret Commercial Use. Secret commercial use by another is not prior art. MPEP §2133.03(a). But, for applications filed on or after March 16, 2013, if secret commercial use began more than one year before the earlier of when the application was filed or the inventor disclosed the invention, it creates a "prior commercial use" defense for that accused infringer. 35 U.S.C. §273(a). (d) foreign applications and PCT applications not filed in and not designated the U.S. (e) Other exceptions include non-public prior art such as non-public offers to sell, abandoned applications and unconverted provisional applications. 35 U.S.C. §§119, 120, 121, and 365.

¹²⁵ Foreign patent protection is not available unless the U.S. application was filed prior to the invention's public disclosure and priority to it timely claimed. The European Patent Office, for example, considers prior art "everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application." Thus, if the invention is made available to the public before the earliest priority date, the invention cannot be protected by foreign patents.

¹²⁶ Patent application priority dates in one country are sometimes effective for later-filed applications in some other countries under treaties, namely, the Paris Convention and the Patent Cooperation Treaty. However, this does not happen automatically. If foreign patents are desired, a PCT application designating the target countries must be filed within the earlier of one year from filing the provisional or non-provisional. You need to tell your patent attorney what other countries you are potentially concerned about at your first meeting. Foreign patent prosecution is beyond the scope of this paper.

¹²⁷ The dangers of provisionals are highlighted by New Railhead Mfg. L.L.C. v. Vermeer Mfg. And Earth Tool Co. L.L.C., 298 F.3d 1290 (Fed. Cir 2002). The patentee filed a provisional, followed it at the end of its year with a formal utility application, a patent issued, infringement ensued, the patentee obtained a verdict for tens of millions of dollars, but then lost it all. While the provisional described the invention of other claims, (the infringed claim had an element not found in the provisional) and a bar date preceded the utility application. The patentee argued that if one made the invention in accordance with the provisional's disclosure, the invention of the infringed claim would be apparent. The Federal Circuit held that while such evidence could satisfy the enablement requirement, the provisional did not satisfy the written description requirement, holding, "[t]he adequacy of the written description (i.e., the disclosure) is measured from the face of the application; the requirement is not satisfied if one of ordinary skill in the art must first make the patented invention before he can ascertain the claimed features of the invention." New Railhead shows (1) the requirements for a good patent application discussed herein are equally applicable to a provisional application; and (2) the circular nature of best practices patent drafting; the drafter formulates the invention's gist or magic and drafts a broad claim which encompasses it, a specification is drafted to support the claim, which incites thoughts about alternative structures and methods, claims are drafted to cover these, and the cycle repeats. This cycle is expensive in terms of patent attorney time, but the patent applicant gets what he pays for in terms of the patent's value if litigated. The more time spent drafting, the stronger the resultant patent. However, time is money when attorneys are involved so the price paid for an application has a rough correlation to how well the patent will protect the invention in the litigation crucible.

¹²⁸ This amount can vary from a few thousand dollars to tens of thousands of dollars depending on many factors – How complicated is it? How important is it? Will there be foreign prosecution? etc.

¹²⁹ 1. Applications are not published if a non-publication request is filed. A non-publication request can only be filed if the applicant is not going to seek international protection. 2. Some countries permit national phase filings within 31 months of the earliest PCT priority date.

¹³⁰ If you timely file a notice that you will not seek international patent protection; otherwise, it is published in 18 months. 35 U.S.C. §122.

¹³¹ Damages from infringers can be greatly enhanced by either physically or virtually (web page) marking their patented product with proper notice that it is patented. 35 U.S.C. §287. In addition to marking the product with your patent information, you can mark them with the word "patent" or the abbreviation "Pat." Followed by a web address with lists of relevant patent numbers. This lets you update your listed patents without redesigning the product's packaging. Your competitors cannot design around your patent while it is pending because they cannot see how its claims are being amended in prosecution.

¹³² A published application gives a patentee a right to a reasonable royalty from the date his application is published (US or PCT) if he gives the infringer actual notice of the published application and what acts infringe. 35 U.S.C. §154(d). An applicant can request early publication. 35 U.S.C. §122(b).

¹³³ **a. Conception.** An idea is definite and permanent when the inventor has a specific, settled idea, a particular solution to the problem at hand, not just a general goal or research plan he hopes to pursue. Persons with ordinary skill in the art must be able to reduce the invention to practice without undue experimentation. Burroughs Wellcome Co. v. Barr Labs, Inc., 40 F.3d 1223 (Fed. Cir. 1994). Patent rights attach only when an idea is so far developed that the inventor can point to a definite, particular invention. Id. at 1919. Thus, conception analysis necessarily turns on the inventor's ability to prove when he described his invention with particularity. Until he can do so, he cannot prove possession of the complete mental picture of the invention. Conception in a foreign country is inapplicable, so the invention must be reduced to practice in the U.S. to get U.S. rights (or file a patent application). The inventor need not know that his invention will work for conception to be complete. Discovery that it works is part of reduction to practice. The problem is that the mental act of conception must be corroborated (discussed infra.). Inventorship is determined solely from the invention defined by the patents' claims—not by the invention is described in the specification. **b. Joint Inventorship.** Joint Inventorship = C₁ + C₂ + C₃ + C₄ (C₁ = Claimed Invention; C₂ = Conception; C₃ = Corroboration; C₄ = Collaboration) Joint inventorship raises difficult issues. All inventors must be listed as joint patentees in the patent application. 35 U.S.C. §§5102(b), 116. The evidence must establish that the inventor made a "contemporaneous disclosure that would enable one skilled in the art to make the invention." Tavory v. NTP Inc., 297 F.App'x 986 (Fed. Cir. 2008)(nonpresidential). An insignificant contribution of knowledge known to one of ordinary skill in the art is insufficient to make a contributor a co-inventor. Compare Hess v. Advanced Cardiovascular, 106 F.3d 976 (Fed. Cir. 1997) (Contribution of new concepts to two of 55 claims in a patent made the contributor a joint patentee.) with Ethicon, Inc. v. U.S. Surgical Corp., 135 F.3d 1917 (Fed. Cir. 2001). "To determine whether [a person] made a contribution to the conception of the subject matter of [a claim], the [court] must determine [what the person's] contribution was and then whether that contribution's role appears in the claimed invention. . . A contribution to one claim is enough." Ethicon, Inc. v. U.S. Surgical Corp., 135 F.3d 1456, 1549-60 (Fed. Cir.), *cert denied*, 525 U.S. 923 (1998). Joint inventorship may be different at (1) initial conception; (2) conception of improvements; (2) drafting the specification; (3) the claims as submitted; (4) the claims as amended, and (5) the claims as issued. Decisions concerning inventorship at each stage may be second guessed years later by a jury, a judge, and an appellate court, each working on different facts and perceptions. A false claim to inventorship may create liability to the true inventor. Repap Enterprises, Inc. v. Kamyr, Inc., 27 U.S.P.Q.2d 1685 (E.D. Penn. 1993). "In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use or sell the patented inventions without the consent of and without accounting to the other owners." 35 U.S.C. §262. Ethicon, Inc. v. U.S. Surgical Corp., 135 F.3d 1917 (Fed. Cir. 2001).

¹³⁴ Federal law governs whether a patent assignment occurred, while state law determines construction of the agreement. DDB Technologies LLC v. MLB Advanced Media L.P., 517 F.3d 1284 (Fed. Cir. 2008). Absent an express assignment, an implied-in-fact assignment may be found where the employee was hired or assigned to invent. Teets v. Chromalloy Gas Turbine Corp., 83 F.2d 403 (Fed. Cir. 1996) (Implied-in-fact contract by employee to assign patent rights found where employer directed and paid the employee to solve the problem and paid to refine the invention and for the patent application.) If the employee is an officer, a fiduciary duty to assign may be found. Grip Nut Co. v. Sharp, 150 F.2d 192 (7th Cir.) *cert. denied*, 326 U.S. 742 (1945). North Branch Prod., Inc. v. Fisher, 131 U.S.P.Q. (BNA) 135 (D.D.C. 1961) (principal shareholder, director, and general manager), *aff'd* 312 F.2d 880 (D.C. Cir. 1962), *cert. denied*, 373 U.S. 913 (1963). Otherwise, "shop rights" are harder for the employer to obtain and, once obtained, comprise much less than commonly believed. McElmurry v. Arkansas Power & Light Co., 995 F.2d 1576 (Fed. Cir. 1993). The principal requirement for finding a shop right is the employee's implied consent that the employer can use the invention. Wommack v. Durham Pecan Co., 715 F.2d 962 (5th Cir. 1983).

¹³⁵ Whether a patent application sufficiently teaches the claimed invention or is invalid because it requires "undue experimentation" depends on: "(1) the quantity of experimentation necessary, (2) the amount of direction or guidance presented, (3) the presence or absence of working examples, (4) the nature of the invention, (6) the relative skill of those in the art, (7) the predictability or unpredictability of the art, and (8) the breadth of the claims." Crown Operations Inter., Ltd. v. Solutia, Inc., 289 F.3d 1367 (Fed. Cir. 2002).

¹³⁶ "A best mode violation may occur if the disclosure of the best mode is so objectively inadequate as to effectively conceal the best mode from the public" even if the disclosure's inadequacy was unintentional. U.S. Gypsum Co. v. Nat'l Gypsum Co., 74 F.3d 1209 (Fed. Cir. 1996). For applications filed on or after March 16, 2013, failure to comply with the best model requirement no longer invalidates the patent.

¹³⁷ 37 C.F.R. §§1.56, 1.97, 1.98 ("Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability" 37 C.F.R. §1.56(a).

¹³⁸ Topliff v. Topliff, 145 U.S. 156, 171 (1892). In addition to the claim drafting rules discussed above, for any application, provisional or non-provisional, to give its owner a “priority date” (a term of art), as contrasted with mere proof of conception of whatever is disclosed, it must have a [1] “**written description** of the invention and of the manner and process of making and using it, [2] in such full clear, concise, and exact terms as to **enable** any person skilled in the art to which it pertains, . . . to make and use the same, and [3] shall set forth the **best mode** contemplated by the inventor of carrying out his invention” 35 U.S.C. §112, and [4] “the applicant shall furnish a **drawing** where necessary for understanding of the subject matter sought to be patented.” 35 U.S.C. §§104, 111, 112, 113, 120; 37 C.F.R. §1.131. However, once the patent issues, “the failure to disclose best mode shall not be a basis on which any claim of a patent may be cancelled or held invalid or otherwise unenforceable.” 35 U.S.C. §282.

¹³⁹ These are treacherous waters, particularly since inventions are often evolving. Inventors do not have the training and experience of a patent attorney and risk entirely wasting their invention’s potential by doing their own patent drafting. Common failings of inventor written provisionals are (1) insufficient detail, (2) failing to consider and fully describe alternative structures and methods which use the invention’s concept, even suboptimal ones, and (3) failure to consider and apply the invention’s concept to fields different from the field of the problems the invention is intended to address. These failings may rob the provisional of much of its potential value. 35 U.S.C. §31-3; 37 C.F.R. §§10.1 - 10.18 (1987). An attorney who helps an inventor prepare the inventor’s own application has engaged in the unauthorized practice of law even though the attorney discloses to the inventor that he is not registered to practice before the Patent Office and does not personally file anything with the Patent Office. In Re Amalgamated Development Co., 375 A.2d 494, 189 U.S.P.Q. 192 (D.C. Cir. 1977).

¹⁴⁰ Being an inventor is about having a great idea. Creating a successful start-up business is about building and running an organization, complete with financing, marketing, logistics, personnel, suppliers, customers, etc. No one person is best for these several tasks. Few inventors are the best person to manage the several people who manage these several tasks. The inventor’s refusal to relinquish business control is a common cause of failure and heartbreak. Business success is unlikely without knowing likely customers, costs, sales price, demand and competition. The “25 Percent Rule” is a rule of thumb that an appropriate royalty is 25% of a licensee’s long term net profit. While never perfectly applicable to any particular deal and not even admissible in litigation, it incorporates useful concepts. Uncloc USA, Inc. v. Murosoft Corp., 632 F.3d 1292 (Fed. Cir. 2011).

¹⁴¹ Polaroid Corp. v. Eastman Kodak Co., 641 F. Supp. 828, 789 F.2d 1336 (Fed. Cir. 1986), *cert denied*, 479 U.S. 850 (1986) leading to Polaroid Corp. v. Eastman Kodak Co., 1990 U.S. Dist. Lexis 7968, 16 U.S.P.Q.2d 1481 (D. Mass. 1990) (\$900 million in patent infringement damages, permanent injunction against Kodak selling instant cameras and order that Kodak recall infringing cameras and film from supply chain and retail stores); NTP, Inc. v. Research in Motion, Ltd., 392 F.3d 1336 (Fed. Cir. 2004) (Blackberry maker RIM paid \$612 million for a license to NTP’s patents).

¹⁴² Source: “Intellectual Property Leasing and Its Implications for the Leasing Industry” (2002), Equipment Leasing and Finance Foundation; 2001 Annual Reports for Plant and Equipment, McDermott, Will & Emery for patent value.

¹⁴³ One strategy is to (1) file a provisional application with a good disclosure as discussed herein before offering to sell or publicly disclosing the invention, (2) at the end of the provisional’s one year, file Patent Cooperation Treaty (PCT) applications on the few inventions that warrant the cost, (3) if the application fairs well in the PCT’s preliminary examination and is commercially successful, (4) only then invest in patent prosecution in chosen countries.

¹⁴⁴ Medichem S.A. v. Rolabo S.C., 437 F.3d 1157 (Fed. Cir. 2006) (Inventor lost patent due to informality of his lab notebook.). Non-exhaustive list of guidelines: bound pre-numbered lined pages; all entries in permanent ink, consecutively entered, in chronological order, no lines or pages skipped; if any line is inadvertently skipped, a line is drawn through, initialed and dated; if corrections are made, they are initialed and dated; the inventor and a disinterested informed non-inventor periodically sign and date each page in permanent ink, the non-inventor writing “Read and understood, John Doe, June 3, 2007” at the end of the then current last entry; after a page has been signed and dated, no further information is inserted on that page; no erasures; no torn out pages; entries contain as much detail as possible including experiments, observations and conclusions; additional material such as photographs, charts, drawings are included or attached and identified in a supplemental signed and dated appendix; exclusive control of the notebooks are maintained by a trusted person. A lab notebook which does not meet these criteria may be inadmissible. Huang v. Caltech, 72 U.S.P.Q.2d 1161 (C.D. Cal. 2004). You may want to scan and email notebook pages to a disinterested repository for additional verification. The widespread practice of mailing one’s

self a certified letter with a description of the invention is unlikely to provide admissible corroboration. Its contents could be substituted and a self-addressed letter does not provide the required corroborating witness. A provisional application is more reliable means of proving date of conception.

¹⁴⁵ ThomasNet.com lists hundreds of prototype developers. (Click “Engineering & Consulting,” then “Designers,” then “Prototypes.”)

¹⁴⁶ Check out www.startupventuretoolbox.com. Work with your local Small Business Development Center for free help. (in San Antonio, www.iedtexas.org (210) 458-2460) and your local inventors group, (in San Antonio, San Antonio Technology Advocates of San Antonio Inventors and Entrepreneurs at www.alamoinventors.org). Several inventor associations have useful websites. United Inventors Association, www.uiausa.org.

¹⁴⁷ Doing as much of the work yourself, rather than paying a patent attorney to do it, gets you a better and less expensive application. What you give your patent attorney should: (1) include a clear description of the invention; (2) describe the problem being solved; (3) identify the best mode of the invention; (4) clearly identify any practical application asserted for the invention by identifying how the claimed invention produces a “useful, concrete and tangible result”; (5) discuss the best known prior art related to the invention.

¹⁴⁸ If a patent assignee does not timely and properly record the assignment with the PTO and the patent seller again (unlawfully) sells the patent to an innocent purchaser, then the innocent purchaser has superior rights. 35 U.S.C. §261.

¹⁴⁹ Tex. Bus. & Com. Code §2.312(c). Cover v. Hydromantic Packing Co., Inc., 36 U.S.P.Q.3d 1199 (Fed. Cir. 1996) (If Buyer’s product specifications cause Seller to infringe a patent, then Buyer must indemnify Seller.)

¹⁵⁰ One invention development company’s Texas cover page stated that “The total number of customers who have contracted with the invention developer since 1987 is 4353. The total number of customers known by this invention developer to have received, by virtue of this invention developer’s performance an amount of money in excess of the amount paid by the customer to this invention developer is zero.” American Inventor’s Protection act 35 USC §273, Regulation of Invention Development Services Act. Tex. Civ. Stat. Ann. art 9020.

¹⁵¹ Title 6, Civil Practice and Remedies Code, Sec. 134 et seq. and 18 USC §1832 et seq.

¹⁵² The statute of limitations is “three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered.” Tex. Civ. Proc. & Rem. Code Ann. §16-010. The misappropriation occurs when the wrongful act causes legal injury. The second part of this statutory statement cannot be ignored as it is the trade secret owner’s burden to prove he could not have discovered the misappropriation by the exercise of due diligence. Seatrac Inc. v. Sonbeck Int., Inc., 200 F.3d 358 (5th Cir. 2000). An attorney should be retained as early in the investigation as possible so attorney/client privilege protections can attach.

¹⁵³ (a) **“Trade secret” defined.** “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, process, financial data, or list of actual or potential customers or suppliers, that:(A) 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 (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. (Title 6, Civil Practice and Remedies Code, Sec. 134A.002 (6)); (b) **Disclosed secrets.** Ruckelshaus v. Monsanto Co., 467 U.S. 986 (1984). Information that is public knowledge or that is generally known in an industry cannot be a trade secret. [Citation] If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise publicly discloses the secret, his property right is extinguished.” (c) **Patents.** Matters disclosed in a patent or a published patent application are no longer secret. But a trade secret that subsequently becomes public is sometimes still capable of supporting an agreement. K&G Oil Tool v. G&L Fishing Tool Service, 314 S.W. 782, *cert denied*, 338 U.S. 898 (1938); Aronson v. Quick Point Pencil, 99 S. Ct. 1096 (1979). Tewari De-Ox Sys. Inc. v. Mountain States/Rosen, LLC, 637 F.3d 604 (5th Cir. 2011) (d) **Copyrights.** Whether matter protected by a copyright registration has lost its trade secret status is uncertain. *Compare*, Grace v. Orkin Exterminating Co., Inc., 255 S.W.2d 279 (Tex. App.—Beaumont) (1953) and Taco Cabana International, Inc. v. Two Pesos, Inc., 932 F.2d 1113 (5th Cir. 1991), 505 U.S. 763 (1992), *with*, Tedder Boat Ramp Systems, Inc. v. Hillsborough, 54 F. S 1300 (M.D. FL 1999). Creole Production Serv., Inc. v. Harper et al., 640 S.W.2d 727, 730 (Tex. Civ. App.—Houston [14th Dist.] 1982, *writ ref’d n.r.e.*).

¹⁵⁴ The Inevitable Disclosure doctrine is not expressly adopted in Texas. Cardinal Health Staffing Network, Inc. v. Bowen, 106 S.W.3d 230, 242 (Tex. App.—Houston [1st Dist.] 2003, no pet.), but some Texas courts use similar tests. *See, e.g.*, Weed Eater, Inc. v. Dowling, 562 S.W.2d 898 (Tex. App.—Houston [1st Dist.] 1978, *writ ref’d n.r.e.*);

Williams v. Compressor Engineering Corp., 704 S.W.2d 469, 471-72 (Tex. App.--Houston [14th Dist.] 1986, *writ ref'd n.r.e.*); FMC Corp. v. Varco International, Inc., 677 F.2d 500 (5th Cir. 1982); Union Carbide Corp. v. DSC Communications Corp., No. 05-98-01051-CV, 1999 WL 8995, at *4 (Tex. App.--Dallas 1999, no pet.) (not designated for publication) (emphasis in original) ("enjoining an employee from using an employer's confidential information is appropriate when it is *probable* that the former employee will use the confidential information for his benefit (or his new employer's benefit) or to the detriment of his former employer").

¹⁵⁵ Damages. "Damages can include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. In lieu of damages measured by any other means, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret. (Title 6, Civil Practice and Remedies Code, Sec. 134A.002 ());

¹⁵⁶ Trade secrets, confidential information, know-how and proprietary information, are all referred to in this paper as trade secrets. A lesser, merely "novel to the buyer," standard may apply to contract based claims. Nadel v. Play-By-Play Toys and Novelties, Inc., 208 F.3d 368 (2nd Cir. 1999). Sikes v. McGraw-Edison Co., 665 F.2d 731 (5th Cir.) *cert. denied*, 458 U.S. 1108 (1982), *contra*, Hudson Hotels Corp. v. Choice Hotels Int'l, Inc., 995 F.2d 1173 (2nd Cir. 1993). Confidential information is secret information about specific events or clients, customer lists, leads, transactions, etc. Zoecon Indus. v. American Stockman Tag. Co., 713 F.2d 1174, 1179 (5th Cir. 1983) (discussion of Texas law on client/customer lists, etc.).

¹⁵⁷ Trade secret enforcement cases are often lost due to lack of a security program. Auto Wax Co. v. Byrd, 599 S.W.2d 110 (Tex. Civ. App.--Dallas 1980, no writ) (Keeping formulas in unlocked filing cabinets accessible to anyone defeated trade secret status.).

¹⁵⁸ Stamp sensitive documents, "This is an unlawful copy of a confidential document if this legend does not appear in red. Please contact _____ at 888-999-1234" in red ink. Passwords should be changed periodically. A computer's opening screen can advise that its contents are confidential and condition granting a new password to the user clicking that he has agrees to a standard confidentiality agreement.

¹⁵⁹ Abetter Trucking Co., Inc. v. Arizpe, 113 S.W.3d 5003 (Houston [1st Dist.] 2003) (List of possible claims against a former employee turned competitor, i.e., breach of fiduciary duty, usurpation of corporate opportunity, conversion, tortious interference, etc. The employer lost.)

¹⁶⁰ Unlike a covenant not-to-compete, a nondisclosure covenant can be of infinite duration and geographic scope. Zep Mfg. Co. v. Hartcock, 824 S.W.2d 654 (Tex.App.-Dallas, 1992). Guy Carpenter & Co., Inc. v. Provenzale, 334 F.3d 459 (5th Cir. 2003).

¹⁶¹ Lone Star Steel Co. v. Wahl, 636 S.W.2d 217 (Tex. App.--Texarkana 1982, no writ) (An example of waiting too long to have the employee sign the agreement, making the signed agreement unenforceable.).

¹⁶² Wal-Mart Stores, Inc. v. Sturges, 52 S.W.3d 711 (Tex. 2001). But, competition for employees is lawful and third parties have the right to persuade a party to an at-will contract to exercise their right to terminate the contract if a legitimate purpose of the third party is being served. Times Herald Printing Co. v. A.H. Belo Corp., 820 S.W.2d 206, 215 (Tex. App.-Houston [14th Dist.] 1991, no writ).

¹⁶³ Powell Electric Mfg. Co., Inc. v. Williams, 513 S.W.2d 156, 158 (Houston [14th Dist] 1974, no writ).

¹⁶⁴ **(a) Technical Requirements.** Tex. Bus. & Com. Code §15.50(1); The employee's covenant not to compete need only be ancillary to an otherwise enforceable agreement. Marsh USA, Inc. v Cook, 354 S.W. 3d 764 (Tex. 2011) overruling Debbie Light v. Centel Cellular Co. of Texas, 883 S.W.2d 642 (Tex. 1994). An employer's unenforceable promise to someday provide the employee specialized training, confidential information, etc. is a sufficient ancillary agreement as long as the employer provides the benefit prior to the employee's breach of the employee's non-competition covenant. Alex Sheshunoff Management Services LP v. Johnson, 124 S.W.3d 688 (Tex. 2006). **(b) Reasonable Limitations.** The covenant must have reasonable duration (generally, 1 to 3 years), geographic area and scope limitations and not impose a greater restraint than necessary to protect the interest of the promisee. Peat Marwick Main & Co. v. Haass, 818 S.W.2d 381 (Tex. 1991); Justin Belt Co. v. Yost, 502 S.W.2d 681 (Tex. 1973). Arthur Murray Dance Studios Cleveland, Inc., v. Witter, 105 N.E.2d 685, 92 U.S.P.Q. 447 (Ohio 1952) (41 questions to decide reasonableness). A covenant that is too broad is unenforceable until reformed and if asserted presents a target for the employee to counter claim against. Failure to plead for reformation of an overly broad covenant voids it. **(c) Poison Pill.** Tying the employee's non-compete and the employer's compensation promises creates a poison pill. Olander v. Compass Bank, 363 F.3d 560 (5th Cir. 2004) (Employee's stock option

tied to non-compete. Upon employee invalidating non-compete, employee had to repay employer the employee's stock option profits); John R. Ray & Sons, Inc. v. Stroman, 923 S.W.2d 80 (Tex. App.–Houston [14th Dist.], 1996). (requirement that former employee pay former employer a percentage of former customer revenues he is now receiving may be enforceable, which may dissuade a competitor from hiring him.) Peat Marwick Main & Co. v. Haass, *supra*. (Although the requirement that the former partner accountant pay the firm a large percentage of the client revenues he took was unenforceable, the Court, in *dicta*, said a smaller percentage may be enforceable.) **(d) Applicable Law.** Which state's law governs is sometimes outcome determinative. DeSantis v. Wackenhut Corp., 793 S.W.2d 670 (Tex. 1990), *cert. denied*, 111 S. Ct. 755 (1991).

¹⁶⁵ Flavius Vegetius Renatus, De Rei Militari, III, Prologue, (375) (“Qui desiderat pacem, praeparet bellum” - “Let him who desires peace, prepare for war.”).

¹⁶⁶ In re McKinney, 167 S.W.3d 833 (Tex. 2005). In most business vs. consumer or employee disputes, the business had rather the fact finder be a judge (jury waiver) or an arbitrator (arbitration agreement) than a jury comprised of the consumer or employee's peers. The usefulness of arbitration is the subject of valid and heated dispute. A rational arbitrator or result is not guaranteed. However, neither is a rational jury. Arbitration can be as expensive and as frustrating as litigation. If attention is paid to drafting the arbitration agreement before the dispute arises, however, it can qualify the arbitrators (i.e., to be from a group you are comfortable with), be appealable to the courts on the arbitration record (to insure against run-away arbitrators), fix the site of the hearing (your home city), maintain all information about the dispute in confidence (in contrast to typical court proceedings), etc. Because the exact terms of an arbitration provision can be very important, your attorney should draft them.

¹⁶⁷ Although recording a conversation that you are a party to is lawful in Texas, it is unlawful in some states. Which state's law applies to a call between states is fact dependent, complicated and uncertain. www.rcfp.org/taping/ Employees have a right of privacy unless put on notice of company's monitoring right. United States v. Slanina, 283 F.3d 670 (5th Cir. 2002). Non-consensual third party interception is illegal. Tex. Code. Crim. Proc. Ann. Art. 18.20.

¹⁶⁸ For repetitive type matters, a standard “see revise side for additional terms” or shrink-wrap license agreement (package or opening screen that says “opening this package comprises your acceptance of the agreement”) is often enforceable if the agreement is provably seen by the purchaser. Pro CD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996).

¹⁶⁹ The simple step of separating a business' operations into one entity and its assets (Including trademarks, copyrights, patents, etc.) into another entity is a common asset protection strategy. If an employee of the operating entity causes injury or if the business' creditors will not get paid, this structure often protects the business' assets by limiting liability to the operating entity. (Separating the assets now is critical). Attempting to do this after the insolvency causing event may be a fraudulent transfer. Flores v. Robinson Roofing & Construction Co., 161 S.W.3d 750 (Tex.Civ.-Ft. Worth 2005) Asset protection trusts are subject to a 10-year look back period. Delay may create insurmountable tax transfer costs.)

¹⁷⁰ If you or a holding company own essential IP and license it to the operating company, your accountant has a greater range of options for minimizing taxes. Perhaps you can avoid double taxation by taking money out of the business via royalties, a personal separate sale of the IP, etc. Perhaps you can organize the IP holding company in a state or country where little or no taxes are imposed (*e.g.* Delaware, Nevada, Bahamas, and Cayman Islands).

¹⁷¹ Most business persons fail to focus on the fact that they cannot afford to defend themselves in an expensive lawsuit. Whether you were right or wrong, or win or lose, is irrelevant if the cost of the lawsuit cripples your business. Even if insurance policy does not insure your liability to pay damages if you lose the suit, your defense (which could be many tens of thousands of dollars of attorney's fees) may be insured. This distinction arises in the real world more often than is appreciated. It should be considered ahead of time and your insurance company pressed to provide a defense even if it has not insured your damages.

¹⁷² Intex Plastics Sales Co. v. United Nat'l Ins. Co., 18 U.S.P.Q.2d 1567 (C.D. Ca. 1990), 23 F.3d 254 (9th Cir.) Bradford Lyeria and Manuel Abascal, Insurance Coverage For Intellectual Property Claims: The California v. The New York Approach, 19 AIPLA Q.J. 189 (1991).

¹⁷³ Few people have practice selling their business, yet no sales transaction is more important or more certain to occur (if you do not sell your business, your executor will). There are many opportunities and traps. For example, when a business is sold, a portion of the seller's or the buyer's taxes can be cut in half or doubled depending on how the purchase price is allocated among the assets sold (Buyer: capital gain vs. ordinary income, as opposed to Seller:

ordinary expense or depreciable asset vs. non-depreciable asset). These issues should be discussed with your accountant and attorney decades in advance of the liability event or sale. In a marital context, whether IP is community or separate property generally depends on when it was created. Income from a separate property intellectual property received during marriage is community property. Alsenz v. Alsenz, No. 01-01-00369-CV (Tex. Civ. App.—Houston [1st Dist.] February 27, 2003). *But see*, Rodriguez v. Rodriguez, 218 F.3d 432 (E.D. La. 2000) (copyright right is separate rather than community property). This varies state-by-state.

¹⁷⁴ To obtain the most benefit from Bankruptcy Code 11 USC §365, an IP license from a financially weak licensor should be separated between a first license for the IP and immediately deliverable goods and services that is either paid up or subject to small continuing payments, and a second separate agreement for all future goods and services you expect to receive and your payments for them. Otherwise, if the licensor goes bankrupt, you will have to continue to pay the total price of everything to keep using the IP you are already using and paid for, even though you will not get any of the promised future goods and services.