QUICK TIPS FOR INTELLECTUAL PROPERTY CREATORS

There are a few areas of intellectual property commonly overlooked or misunderstood by entrepreneurs, inventors, company managers, and/or their business counsel. The failure to identify and properly analyze intellectual property issues can result in increased costs and lost business opportunities. This article will help you understand a few basic principles of patents, trademarks, and copyrights, and can go a long way in helping you to reduce costs and take advantage of business opportunities.

Patents (a temporary grant from the government for exclusive use of an invention in exchange for prompt disclosure of that invention).

I occasionally get a call from an excited business person (or their general business attorney) who has created a new gadget or system of operation. It seems the product has powerful market potential, is simple to make and distribute, and would be relatively easy to protect and otherwise police for patent infringement. Topics turn from mass marketing and manufacturing, to licensing and royalties. A simple question, unfortunately, derails the

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enthusiasm: **When did you first offer the gadget for sale or otherwise publicly disclose the invention?** If it's been more than one year, the enthusiasm stops.

A U.S. patent application must be filed within **one year** of any public disclosure, public use, or offer for sale of the invention. If the application is not timely filed, and even if the invention has patentable merit, no patent can be awarded. If it is later discovered that an otherwise valid patent issued on an untimely filed application, the patent will be deemed invalid or unenforceable. Therefore, close attention should be paid to the dates of public disclosure, use, or offer for sale. If the one-year period is about to run, move swiftly to consider filing for patent protection.

You might think the one-year rule catches only the small-scale inventor who is generally unaware of the law, yet even large companies struggle with untimely filings and unchecked marketing efforts. It is important for all businesses to undertake a periodic audit of the products and processes used in the business to determine whether there are intellectual properties worthy of protection (and in some cases, whether there are intellectual properties being used that should not be used). Perhaps you have not considered or have yet to appreciate the patent potential of some of your developments and processes. If so, a proactive

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search, analysis and possible timely filing may be in order. Finally, remember that even if a product or method is patentable doesn't mean patents should be sought. It might not make business or financial sense to pursue patent protection. It really depends on the case, the business strategy, budget, and the marketplace.

Trademarks (designations adopted to distinguish your goods and services from the goods and services of others).

Whether you realize it or not, your company likely owns a trademark or trade name. You might ask: What did I do to obtain the trademark? The answer is: "Nothing!" Well, not exactly "nothing," but sometimes darn close.

In order to create a trademark you must adopt, or use, a mark. That's it. The first person to adopt a mark is its owner. No registration or filing is required, and you can use the TM or SM (but not the ®) designation without a filing or registration. Adopting a mark includes affixing it to goods or using it in advertisements of services. Yet adopting a mark is not always that easy. Prior to marking a product or service and spending time and money on marketing, advertising, web design, and packaging, a **clearance search** of the proposed mark is recommended. Even if it involves only a quick survey of the market, or a Google® search, it

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makes sense to conduct some level of search to avoid obvious problems. After a favorable initial search, you might consider more elaborate searching and accompanying analysis which is recommended. Even then, doubts may still exist as to clearance. Some businesses with long-range planning strategies opt to continually search for new marks and choose to periodically file trademark applications to claim priority in new marks.

Selecting a New Mark. To better hedge bets for clearance (and to increase the prospects for obtaining a federal registration), it is best to select a mark that doesn't mean anything, or that is only "somewhat suggestive" of the goods or services. That is, something that doesn't mean anything until you adopt it as your own. A decent example of this is THE CLUB®, which is applied to anti-theft steering wheel locks and has nothing to do with a "club." It doesn't describe a feature of the product, yet through use and marketing (often through late-night TV commercials), many consumers have come to understand what the mark signifies. Some marketing types tend to adopt "marks" that describe the product or services with the hope that consumers will more readily understand what is being sold. Yet a distinct, arbitrary mark (such as Apple® computer), which does not provide immediate product association when adopted, pays off in the long run. In sum, it is best to select something unique and non-descriptive. It will grow in value with the business, and will also prove easier to clear and

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protect. If you must use a descriptive identifier, make it a tag-line in conjunction with the basic mark (i.e., THE CLUB®, "antitheft steering wheel locking device").

Filing an application for protection, which is required of patents, is not mandatory for trademarks. A common law trademark arises through use. The first one to adopt the mark is the owner of the mark (at least in the territory or channels of trade in which the goods travel).

While filing for trademark protection is not required, a federal trademark registration has substantial benefits, some of which include: establishment of legal presumptions such as exclusive ownership, first use, and nationwide constructive use; access to federal courts; increased damages award opportunities; use of the ® legend; and exclusion of goods at Customs. Trademark registrations also add value to a business when it comes time to sell and provide the basis for a licensing or franchising campaign.

A federal "Intent-To-Use" trademark application can be filed even before the mark is actually adopted. Such filing establishes an early priority date to give advantage to protection of that clever new name associated with a new business opportunity. A start-up business or product can often be like a new child -- once the baby has a name, it's awfully difficult to

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change it or it is disappointing when some competitor child has a name that is the same or confusingly similar.

Finally, remember that if trademarks are properly used, they can last forever. Despite an expansive patent portfolio or even huge capital investments, long-standing trademarks are often the most powerful assets of a business, accounting for sustained and increasing sales and margins.

Copyrights (any form of original expression reduced to a tangible medium).

A copyright may exist in the lyrics, melody, or performance of a song, in the images of paintings or photographs, or in the visual art of architecture. Copyrights may also exist in books, magazines, drawings, and the source code and/or look-and-feel of computer programs.

Authorship vs. Ownership Issue. If your company pays for someone to author a work of art (such as a computer program), does your business own the copyright to that work? The answer, generally, is NO.

If the software was developed 100% internally within your company (with the appropriate development licenses), and with the use of paid employees (not contractors) then

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your company probably owns the copyrights to the software. But if non-employee programmers, vendors or third parties supplied parts of the software, the issue is not so clear. Even if your company pays an outside programmer to develop software to your detailed specifications, the programmer is still the "author" of the work, and thus owns the copyrights. While you may have an implied license to use the software, the scope of that license may not meet your future needs, may frustrate sale of your company, or may lessen your company's value to a potential buyer. Also, since the programmer is the owner, it may be unclear what, if any, restrictions are upon the programmer from later licensing the software to others in the industry.

Don't risk it. If your company undertakes software development (or retains the services of vendors who provide other works of expression, i.e., books, photos, music, graphic designs, architectural works, etc.), it is recommended that you have appropriate written agreements confirming ownership of the underlying copyrights. Such "work-for-hire" agreements must be in writing **and must be executed prior to commencement of the work**. When in doubt, also obtain a written assignment of the copyrights in the commissioned work. A bit of up-front action in the form of recognizing and taking care of potential copyright issues can save money

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and headaches down the road, and can provide confidence of ownership and better opportunities for your business.

CONCLUSION

It is a good idea to periodically reflect on the intellectual property assets of your company. There may be items you haven't considered as intellectual property which may be worthy of protection. Ask yourself if the company uses any special techniques of manufacture or of doing business. Inquire about potential patent or trademark protection/clearance BEFORE you launch the new product/service or embark on R&D or marketing. Are there any important company marks or logos to be protected? Could those trademarks be licensed to businesses in other non-competing areas? Does your company really own the intellectual property assets that are important to your company and thus allow you to realize their full value? Above all, it is important to appreciate that the law generally favors a proactive approach. So act now in conducting that self-audit of intellectual properties, and be prepared to move swiftly in the future if and when intellectual properties are developed.

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