

V. Intellectual Property Nuts and Bolts

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Introduction

As stated on page 405 of *Entrepreneurship: Successfully Launching New Ventures*, “[i]ntellectual property is any product of human intellect that is intangible but has value in the marketplace.” Note that it is called “intangible” property because it is the product of human imagination, creativity and inventiveness. Although a company may have valuable tangible assets (land, buildings, equipment, inventory, etc.), its intellectual property may be more valuable and this is particularly true in a 21st century economy based on services, software, technology and the Internet. Common mistakes that companies make in regard to their intellectual property are presented in Figure 12 and include: not using their intellectual property as part of their overall plan for success, not properly identifying all of their intellectual property, not fully recognizing the value of their intellectual property and not legally protecting the intellectual property that needs protecting.

Table 12.1 from *Entrepreneurship: Successfully Launching New Ventures* provides examples of the kinds of intellectual property that typically resides within a mid-sized entrepreneurial company, with an indication of the areas of law that are used to protect it. For example, the marketing department may have purview over names, slogans, logos, jingles, advertisements, brochures, pamphlets, advertising copy that is being developed, customer and prospect lists and similar items. As indicated in Table 12.1, these items are most commonly protected under trademark, copyright and/or trade secret law. Likewise, the authors indicate that copyright and/or trade secret law may cover materials generated by management and finance departments. Management information systems may generate or control website designs, company-specific training manuals for computer equipment and software, original computer code, email lists and name registries, perhaps protectable under copyright or trade secret law. Research and development (R&D) will likely be of considerable interest in a manufacturing company.

As listed on Table 12.1, patent and/or trade secret law may protect the company's new and useful inventions and business processes (although recent cases, including *Alice Corp. v. CLS Bank International*, should be consulted carefully, especially for software and business processes, because this chain of cases that considered patent eligibility), improvements to existing inventions and processes and laboratory notes. The U.S. Patent and Trademark Office (USPTO) has several programs designed to help inventors and small companies protect their intellectual property. According to the authors, there are two primary rules for deciding if intellectual property protection should be pursued (because some of the options are expensive and time-consuming, especially patents). First, we need to determine whether our intellectual property is directly related to a competitive advantage in the marketplace. Second, we will decide whether an item has value in the marketplace before we take the time and spend the money to protect it. As the authors wisely note on page 407, owning the exclusive rights to something no one wants is of little value.

Pages 407-408 of *Entrepreneurship: Successfully Launching New Ventures* introduce the four areas of intellectual property – patent law, trademark law, trade secret law and copyright law. I like to think about these four areas of law as being part of the entrepreneur's toolbox – and there may be more than one tool that is appropriate (which is why Table 12.1 lists more than one method of protection). Internet domain names are closely related to trademark law and are part of your company's overall branding strategy. Also related to intellectual property law are contract law and licensing, especially since licenses are one of the most common ways that intellectual property is "sold." You may also want to look at the websites for the U.S. Patent and Trademark Office (<https://www.uspto.gov/>, accessed 6/30/17) and the U.S. Copyright Office. (<https://www.copyright.gov/>, accessed 6/30/17), which are excellent resources.

A. Patents: Disclosures and Public Uses

According to the Patent entry in Wikipedia, "[a] patent is a set of exclusive rights granted by a sovereign state to an inventor or assignee for a limited period of time in

exchange for detailed public disclosure of an invention.

(<https://en.wikipedia.org/wiki/Patent>, accessed 6/29/17.) In other words, the inventor obtains monopoly-like rights over his/her invention for a period of years in exchange for providing substantial information about the invention (the disclosure) to the public that will be helpful to inventors who may be working in the same or similar field of endeavor. One can thus think of a patent as a “teaching document” that will help others move forward in their own work, rather than “reinventing the wheel.” In order to provide monopoly-like rights, Thomas Jefferson opined that “[c]onsidering the exclusive right to invention as given not of natural right, but for the benefit of society, I know well the difficulty of drawing a line between the things which are worth to the public the embarrassment of an exclusive patent, and those which are not.” (Thomas Jefferson to Isaac McPherson, http://press-pubs.uchicago.edu/founders/documents/a1_8_8s12.html, accessed 6/30/17.) It is important to note that some substantial revisions to patent law were part of the America Invents Act, including moving the U.S. from a first-to-invent to a first-to-file priority system. (Summary of the America Invents Act, AIPLA, <http://www.aipla.org/advocacy/congress/aia/Pages/summary.aspx>, accessed 6/30/17.)

Pages 408-414 in *Entrepreneurship: Successfully Launching New Ventures* are devoted to patent law. Note that a patent is a grant from the federal government that allows you to prohibit others from making, selling, offering for sale or using your invention for the term of the patent (usually 20 years, except for design patents, which last for 14 years.) The authors provide a brief history of patents in the U.S. and the statistics in Table 12.2 indicate the growth in patent applications, patents issued and the average time for approval from 2011-2013. The three types of patents are discussed on pages 410-411, which are utility patents, design patents and plant patents. Note that in order to be eligible for a patent, you must have more than an “idea” or “suggestion” for a new product or process. Instead, a complete description of the invention for which a patent is sought is required, including drawings and technical details. Also, note especially the information about the need to promptly apply for a patent once a product or process is offered for sale, put into public use or described in any printed publication.

The issues with business method patents are still unsettled, especially after some recent cases, so please be sure to read the article by Harris, discussed below. Figure 12.2 in *Entrepreneurship: Successfully Launching New Ventures* shows the three basic requirements for a patent – an invention must be useful (although the use can be frivolous), novel (in other words, different than “prior art”) and non-obvious (often described as not the logical next step that a person of ordinary skill in that field/industry would take). Design patents are the second most common type of patent and cover the invention of new, original and ornamental designs for manufactured products. This type of patent protects the way an object looks (think of the *Apple v. Samsung* cases about the aesthetic features of mobile phones). Plant patents are the third type of patents and protect new varieties of plants that can be produced asexually. Table 12.3 provides a summary of the three forms of patent protection, the types of inventions that the patent covers and the duration of these patents. Only the inventor can apply for a patent, although many patents are assigned to employers. Thus it is important to understand any employment agreements you sign as part of your employment, either as a separate invention assignment agreement or an overall employment agreement that includes a provision covering inventions. Companies will want to have these types of documents for their employees to sign and to be sure to emphasize them, including obtaining signatures, as part of new hiring processes, through regular training and when an employee leaves a company. The rights to a patent can also be sold.

Table 12.4 on page 412 of *Entrepreneurship: Successfully Launching New Ventures* provides estimates of lawyer fees for obtaining a patent, from a simple to a complex invention. Fortunately, the USPTO provides a sliding scale of fees based on the size of the entity seeking a patent. (<https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule>, accessed 6/30/17.) The process for obtaining a patent is covered on pages 412-414 of *Entrepreneurship: Successfully Launching New Ventures* and includes six steps:

1. Make sure that the invention is practical.
2. Determine what type of application to file.

3. Hire a patent attorney.
4. Conduct a patent search.
5. File a patent application.
6. Obtain a decision from the USPTO.

Note on page 414 that the opportunity to file a provisional patent application may be especially attractive for entrepreneurs. It is important to understand that this is not a provisional patent, but a provisional application for a patent, which is used to establish an early filing date for a subsequently filed full utility patent application and it should not give you a false sense of security. The authors of *Entrepreneurship: Successfully Launching New Ventures* provide more detail about filing a provisional patent application on page 415. Entrepreneurs may license their patents to other companies. Some large corporations, such as Proctor & Gamble and General Mills, have arrangements called “partnering for success,” described on page 417, that allow products to be brought to market more quickly by taking advantage of the distribution channels that large corporations enjoy. The authors provide a short explanation of patent infringement on page 414. Note that patent infringement cases are costly to litigate and may take several years. Thus, it often makes sense to try to work out some sort of settlement, which could involve having the defendant pay a fair royalty for the continued use of the invention (and there are many methods for determining what the royalty payment should be).

An extensive article on the state of patent law and its implications for start-ups was recently published in *AIPLA Quarterly Journal*, which is the journal of my national professional association, the American Intellectual Property Law Association. In the first few pages of the article, Harris describes why he believes that the patent system is under assault and ponders whether patent law stifles or promotes innovation. He questions whether it is time for companies to rethink their patent law strategies. As he states on page 40,

Given these assaults, is it time to give up on patents? Certainly not for some industries, and probably not for others. Still, patent system stakeholders are facing harder decisions than they have in the past. There are still good reasons to play the patent game, even in heavily assaulted industries such as software and IT, but the rules are different now and will continue to change.

The author goes on to discuss ten things about patents that start-ups need to consider:

1. Enterprise value enhancement
2. Signaling quality to investors and the investment community
3. Establishing ownership of technology and inventions
4. Assertion against competitors
5. Avoiding the IP of competitors and others
6. Revenue generation/licensing/monetization of IP
7. Facilitating collaborative research
8. If you get the patent, you block the competitors
9. The laws will change...again
10. Although trade secrecy and copyright law offer some protection, there is no viable alternative to patents [N.B. But there may be more protection under trade secret law because of the Defend Trade Secrets Act, <https://www.congress.gov/bill/114th-congress/senate-bill/1890/text>, accessed 6/29/17.]

In terms of the important concepts of disclosure and public use, particularly after the passage of the America Invents Act, please see Mark Lemley's article: Does "Public Use" Mean the Same Thing It Did Last Year?

(https://www.law.berkeley.edu/files/Lemley_Mark_IPSC_paper_2014.pdf, accessed

6/29/17.) *See also:* Public Use Bar for Patent Eligibility from Stone & Stone

(<https://www.stoneslaw.net/practice-areas/intellectual-property/patent/public-bar-patent-eligibility/>, accessed 6/29/17.),

Public Use of Inventions: The What, How, and Why (Not)

from Yospin Law (<http://www.yospinlaw.com/2015/10/14/public-use-of-inventions/>,

accessed 6/29/17.)

B. Logos, Slogans and Names

Logos, slogans and names are primarily covered under trademark law and thus will be included in the next section of the materials.

C. Trademarks

Trademark law is covered on pages 414-421 of *Entrepreneurship: Successfully Launching New Ventures* and is the basis for any company's branding strategy. Effective

branding, including the choice of logos, taglines, slogans and product names, is particularly important in the highly competitive manufacturing environment of the 21st century. As indicated on page 414, a trademark is any word, name, symbol or device used to identify the source or origin of products or services and to distinguish those products or services from others. Trademarks provide consumers with helpful information, so that we know what to expect when we visit a store or choose a product to buy. As indicated in Table 12.5 on page 416, there are four types of trademarks. Trademarks and service marks are probably the ones that most consumers are familiar with, but collective marks and certification marks may be important for certain industries. Trademark law falls under the Lanham Act of 1946 (although many states, including Indiana, have their own trademark law) and it protects words, numbers and letters, designs or logos, sounds (the little duck who yells “Aflac”, the “Ho-ho-ho” of the Jolly Green Giant), fragrances, shapes, colors and trade dress (as noted, the famous *Two Pesos* case was about the specific décor of a Mexican restaurant).

There are a number of exclusions from trademark protection, as explained on page 419, including immoral or scandalous matters, deceptive matters, descriptive marks and surnames. Recently, the issue of “disparaging marks” has made its way to the U.S. Supreme Court, which considered whether the name of the professional football team in Washington, D.C., the “Redskins” (with a judge ordering that the Redskins trademark be canceled), and a fusion rock band made up of Asian musicians should be allowed to call the band “The Slants.” (*See* Justices Strike Down Law Banning Disparaging Trademarks, June 19, 2017, <https://www.nytimes.com/2017/06/19/us/politics/supreme-court-trademarks-redskins.html>, accessed 6/30/17.) I gave a presentation at the 2016 AIPLA Spring Meeting about copyright law, but the second half of the session featured two speakers who debated the issue of scandalous/disparaging marks. We saw them a day later having lunch together and continuing to engage in lively repartee and I would be interested to hear what they think about the Supreme Court’s decision. A trademark or service mark should be carefully chosen, not only to be sure that it will not infringe on existing marks (which may or may not be registered with the USPTO), but also because

marks that are inherently distinctive (fanciful, arbitrary or suggestive) are likely to receive the most robust protection and can be registered immediately (rather than having to wait to prove that the mark has achieved secondary meaning). As described on pages 419-420 of *Entrepreneurship: Successfully Launching New Ventures*, there are three steps in selecting and registering for a trademark:

1. Select an appropriate mark.
2. Perform a trademark search (and not just in the USPTO's trademark database, because many trademarks are never registered. It is use in the marketplace [used in commerce] that dictates priority and ownership rights over a mark.)
3. Create rights in the mark.

As indicated on page 420 of *Entrepreneurship: Successfully Launching New Ventures*, there are two ways that the USPTO can offer additional protection for companies that are concerned about maintaining exclusive rights to their trademarks. First, you can file an intent-to-use trademark application; however, you must begin using the mark in commerce within the prescribed period of time. You should file a formal application for a mark with the USPTO. Not only is this quite inexpensive (compared with the overall investment you will make in your company's branding), but it also means that there is "constructive notice" around the country that this mark is taken and in use by your company.

Trademarks are covered on pages 558-566 of *The Entrepreneur's Guide to Business Law*. The text includes a definition of trademark, how to establish a trademark, the varying amounts of protection given to inherently distinctive and descriptive marks, performing a trademark search and how to create rights in the trademark through use in commerce and by registering the trademark through the U.S. Patent and Trademark Office. It is important to remember that even after a trademark has been registered, the owner must take steps to ensure that the rights to it are not lost, including how a licensee is using the trademark. In addition, trademark infringement litigation, including claims of trademark dilution, must be pursued in order to protect one's trademark. Domain names and trade dress are related issues within trademark and are discussed on pages 567-569.

D. Copyrights

Copyright law is intended to cover creative works as opposed to functional items. Copyright law is included as part of the U.S. Constitution as Section I, Article 8 [8]: To 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. (U.S. Constitution, <http://constitutionus.com/>, accessed 6/29/17) Pages 421-426 in *Entrepreneurship: Successfully Launching New Ventures* are devoted to copyright law. Note that copyright law protects “original works of authorship” that are fixed in a tangible medium (in other words, saved in some way). The primary categories of material that can be protected by copyright law are literary works, musical compositions, derivative works, computer software (note the Computer Software Copyright Act of 1980), dramatic works, pantomimes and choreography, and pictorial, graphic and sculptural works. Other common categories of creative materials that are covered by copyright law include motion pictures, audiovisual works, sound recordings and architectural works. Note that copyright law cannot protect ideas – only the actual expression of an idea. Other exclusions from copyright protection include facts, titles and short phrases and lists of ingredients. It is not necessary to apply for copyright protection – copyright protection is automatic once you have created an original work of authorship, fixed it in a tangible medium, and it has a minimum amount of creativity (the bar is very low here, per the *Feist v. Rural Telephone* case, <https://www.oyez.org/cases/1990/89-1909>, accessed 6/30/17.). However, you can enhance the protection of your work under copyright law by attaching a copyright notice in the prescribed format and by registering your work with the U.S. Copyright Office. Everything related to registration through the U.S. Copyright Office can be done online and the cost is very modest. Thanks to the Sonny Bono Copyright Term Extension Act, copyright protection lasts for the life of the author plus 70 years. For works-for-hire (for example, something created for a company as part of employment), the duration of protection is 95 years from publication or 120 years from creation, whichever is less. One caution is that even items that seem “old” are likely still protected by copyright law.

The authors of *Entrepreneurship: Successfully Launching New Ventures* provide an excellent discussion of copyright infringement on pages 423-424. Note that fair use is an exception to the rights that the copyright owner enjoys and is based on the court's analysis of four factors: purpose of the use, nature of the work, amount (proportion and essence of the work) used and effect on the market for the original work. These four factors were nicely articulated and applied in the *Harper & Row v. Nation Enterprises* case. (https://en.wikipedia.org/wiki/Harper_%26_Row_v._Nation_Enterprises, accessed 6/30/17.) Note the *GoldieBlox v. Beastie Boys* case on page 425 as a good illustration of fair use, especially the narrow doctrine of parody. Of course, as noted on page 425, the lesson learned is that GoldieBlox should have contacted the Beastie Boys beforehand and asked for permission to use the music and secured the proper rights, with perhaps paying a royalty fee, rather than facing expensive litigation and having to pay a \$1 million dollar penalty as part of its settlement agreement. (See an article on music sampling, Sounds Great! But It Sounds Very Familiar . . . Where to Draw the Line on Digital Sampling of Sound Recordings in the May/June 2017 issue of *Landslide*.) The authors of *Entrepreneurship: Successfully Launching New Ventures* include some important information about copyright and the Internet. The myths that the public have about copyright – and which are incorrect – are that anything on the Internet is in the public domain or it is covered under fair use. But the correct stance should be that everything on the Internet IS protected by copyright law. Some techniques are to use a copyright notice on all of your creative work, provide a helpful way for people to contact you to request permission to use your materials and employ such technical approaches as password-protecting access to content, watermarking and encrypting your most valuable content.

Copyright law is also discussed on pages 529-542 of *The Entrepreneur's Guide to Business Law* and it may be the most important area of intellectual property law in a variety of industries. Many "products" will be the kind of creative works covered by copyright law, such as websites, photographs, digital images, animations, musical compositions, movie treatments and fiction and nonfiction writing, to name but a few.

One of the biggest myths about copyright is that something must be registered or have the "c" in the circle in order to have copyright protection. The law on this was changed in 1989. Fortunately, now once something is preserved in some fashion - "fixed in a tangible medium" - it automatically has copyright protection. However, there are many benefits to registering for copyright through the U.S. Copyright Office and forms are available on its website. The cost to register is minimal. Note that a party must have registered his/her work with the U.S. Copyright Office prior to suing for infringement. Once again, it is important to note that copyright law does not protect ideas; it protects only the expression of those ideas. In order for something to qualify for copyright protection, it must:

- be an original work of authorship (the expression, not the idea)
- be fixed in a tangible medium
- contain a minimal amount of creativity

The owner of a copyright has a bundle of rights for his or her materials: the right to make copies, the right to distribute, the right to make derivative works, public display and public performance. However, fair use is an exception to these rights and does allow the use of the material - without permission - for scholarship, news reporting, criticism or research. It is important to remember that four factors are considered in determining whether the use is "fair." Many people are overly generous with their interpretation of what constitutes fair use. Also, there is no magic percentage for when a person's alteration of someone else's work moves from being infringement to being allowable (in other words, a new work that does not infringe the original work and that it worthy of its own copyright protection).

The duration of copyright protection is covered on pages 533-534 of *The Entrepreneur's Guide to Business Law*. The Sonny Bono Copyright Term Extension Act significantly increased the amount of time that a work qualifies for copyright protection, so that copyright protection now lasts for 70 years beyond the life of the creator and either 95 or 120 years for a work-for-hire. The requirements to sue for copyright infringement are covered on pages 534-538.

A thorough understanding of the doctrine of work-made-for-hire is important for the entrepreneur who may have employees or independent contractors preparing creative works for his or her company. Details of this doctrine are presented on pages 538-540. The Digital Millennium Copyright Act (DMCA), discussed on pages 540-541, will have a significant impact on informatics, new media and computer science professionals, particularly the provisions regarding the alteration of copyright management information (CMI) of the works of others. Note that there have been recent legislative activities related to various provisions of the DMCA. You can follow – and even participate in – the proposed revisions to copyright law through the U.S. Copyright Office website: <https://www.copyright.gov/legislation/>, accessed 6/29/17.

I have served on the Copyright Law Committee of the American Intellectual Property Law Association (AIPLA) for many years. Our committee has advocated for changes to copyright law as well to the way that copyright law is handled and administered. Just this year, we responded to proposed legislation from Congress that would establish a shorter, streamlined, less expensive process for handling small copyright claims, to proposed legislation that would revise or clarify various provisions of the DMCA, that would modernize the Copyright Office, including the implementation of new technology and allowing it to keep the fees it generates from its services, and that the Copyright Office be moved out of the Library of Congress and become its own agency. Our committee has responded to Notices of Inquiry from Congress, including offering feedback on a pilot project for mass digitization and for how orphan works should be handled. It has been very interesting to have a direct link to Congress as a lawyer, but also as a citizen who engages in creative activities such as art and music, and to help AIPLA advocate for and respond to proposed legislation that balances protection of a creator's rights with the larger needs of society to have reasonably unencumbered opportunities to use what has been created. I hope that you have joined an organization of your choice (such as the Indiana State Bar Association) and that you are using this as an opportunity to advocate for legislation that that will help the legal profession as well as the clients that you serve.

E. Trade Secrets

The fourth type of intellectual property law – trade secrets – is covered on pages 426-429 of *Entrepreneurship: Successfully Launching New Ventures*. As defined on page 426, a trade secret is any formula, pattern, physical device, idea, process or other information that provides the company with a competitive advantages in the marketplace and where the company has taken reasonable precautions to keep the information secret. While we tend to think of the formula for Coca Cola as being the most famous trade secret, a trade secret can also be a marketing plan, financial forecasts, laboratory notebooks, customer lists, logs of sales calls, etc. The format in which trade secret information is stored is not important. One of the difficult issues with trade secrets is determining what information is truly a trade secret versus the skills and knowledge that an employee might have because of his/her academic background and work experience. There is no federal government agency that regulates trade secret law *per se* (although we now have the Defend Trade Secrets Act) and trade secret law is typically a matter of state law, although most states have adopted a version of the Uniform Trade Secrets Act (UTSA). Note that not all information qualifies for protection under trade secret law. If the information is public or can be easily discovered (my customer list might be easily replicated by just looking at the Yellow Pages) or if I don't take reasonable steps to protect it, the information does not qualify as a trade secret. The determination of whether the steps that were taken to protect a trade secret were reasonable is strengthened by making sure that the company adheres to the criteria on page 427, which include that the information is not known outside the company, is known only inside the company on a "need to know" basis, is safeguarded by stringent efforts to keep the information confidential, is valuable and provides the company with a compelling competitive advantage, was developed at great costs, time and effort and cannot be easily duplicated, reverse engineered or discovered.

As indicated on page 427 of *Entrepreneurship: Successfully Launching New Ventures*, trade secret disputes occur most frequently when an employee leaves a company to join a competitor and is accused of taking and using confidential information

to benefit the new employer. This is especially problematic when the employee holds high-level positions in both companies and thus would be privy to a great deal of confidential information that would be valuable to the new employer (the doctrine of inevitable disclosure). The application of this doctrine has been narrowed in the Defend Trade Secrets Act of 2016. Note that the key factor in winning a trade secret dispute is that some type of theft or misappropriation took place (and this is often facilitated through technology, such as a thumb drive being used to copy documents or via posting on social media). The employee no longer needs to sneak into a facility late at night and physically copy documents and blueprints.

One thing that upsets students is that reverse engineering (buying another company's product, taking it apart, figuring out how it works and then coming up with the same thing) is not prohibited under trade secret law, which argues for protecting the product, if possible, under patent law, or licensing it with a provision in the license that prohibits reverse engineering. A robust trade secret protection program should be in place should include physical measures, such as restricting access (role-based access), labeling materials, password protecting confidential files, maintaining logbooks for visitors and for access to sensitive materials and maintaining adequate overall security measures. All employees as well as interviewees, visitors, contractors, etc. should sign non-disclosure agreements (NDAs). Note that a non-disclosure agreement can protect more than just trade secret information, but anything confidential or proprietary. Often, the court will impute a duty of confidentiality even without a non-disclosure agreement in place, under the law of agency. However, since non-disclosure agreements are so prevalent, one could argue that a company that was not using them was not taking "reasonable measures" to protect its trade secrets. As described on pages 428-429, physical measures to protect trade secrets can include restricting access to confidential materials and facilities, labeling documents (but not everything should be labeled "confidential"), password protecting confidential computer files, maintaining a logbook and control over visitors, maintaining logbooks for access to sensitive materials and maintaining adequate overall security measures.

The authors devote pages 429-430 of *Entrepreneurship: Successfully Launching New Ventures* to instructions on how to conduct an intellectual property audit. A company needs to periodically determine whether its intellectual property is being properly protected, especially since it is easy to overlook items that may be eligible for protection, and we need to make careful choices about how to protect it and under what legal doctrines. This goes back to my original analogy of thinking about intellectual property law as being akin to a toolbox, with several potential tools that might be useful, but perhaps one that will be the most beneficial. According to the authors, the second reason for a company to conduct an intellectual property audit is to make sure that it can justify the value of its intellectual property in the event of a merger or acquisition (which is also helpful for litigation preparedness). As indicated on page 429, the first step in an intellectual property audit is to develop an inventory of the company's existing intellectual property and the steps taken to protect it (patents applied for and granted, trademarks, copyrights, non-disclosure agreements, licenses, etc.). The second step, highlighted on page 430, is to identify work that is in progress to ensure that it is being documented in a systematic, orderly fashion, especially in departments such as Research & Development (R&D). The third step of the audit is to specify the company's trade secrets and describe how they are being protected. Table 12.6 on page 430 of *Entrepreneurship: Successfully Launching New Ventures* provides some questions to ask about the company's patents, copyrights, trade secrets and trademarks when conducting an intellectual property audit.

Complementing the information on trade secrets from *Entrepreneurship: Successfully Launching New Ventures*, pages 518-529 in *The Entrepreneur's Guide to Business Law* provide an excellent overview of trade secrets, including a definition for trade secret, the kinds of information that can be protected as a trade secret, how to enforce trade secret rights and how to establish a trade secret protection program. Included in a trade secret protection program are the identification of trade secrets, use of nondisclosure and noncompetition agreements with employees, employee education about trade secrets and use of exit interviews. The list on page 526 presents a number of

recommended measures to protect trade secrets, such as marking documents confidential, maintaining a clean-desk policy and using a shredder. Many of these items may seem like common sense, but consider that some identity theft still results from improperly discarded paper documents. A trade secret protection program should include having outsiders, such as independent contractors, consultants, vendors and others, sign nondisclosure agreements and being careful about visitors who are on the company's premises. As I mentioned earlier in this section, there is new legislation at the federal level designed to provide better protection for trade secrets – the Defend Trade Secrets Act of 2016 (<https://www.congress.gov/bill/114th-congress/senate-bill/1890/text>, accessed 6/29/17.) More robust protection for trade secrets is seen as quite attractive in many industries where the eligibility for patents has been greatly curtailed, such as for inventions that fall into categories such as software and business methods. At the 2016 American Intellectual Property Law Association (AIPLA) Spring Meeting, there were several presenters who outlined the provisions of this new legislation and asserted that in order to take advantage of this legislation, companies would have to take a much more serious approach to their trade secrets, including correctly categorizing what they considered trade secret information, creating a log or database of this information, and then taking appropriate, reasonable steps to protect it.

F. WIPO and International Registrations/Disputes

As indicated on its website, “[t]he World Intellectual Property Organization (WIPO) is the global forum for intellectual property services, policy, information and cooperation. (<http://www.wipo.int/portal/en/index.html>, accessed 6/29/17) Among the services provided by the WIPO are alternative dispute resolution (ADR). As described on the website,

The WIPO Arbitration and Mediation Center is a neutral, international and non-profit dispute resolution provider that offers time- and cost-efficient alternative dispute resolution (ADR) options. WIPO mediation, arbitration, expedited arbitration, and expert determination enable private parties to efficiently settle their domestic or cross-border IP and technology disputes out of court. The WIPO

Center is also the global leader in the provision of domain name dispute resolution services under the WIPO-designed UDRP.

(<http://www.wipo.int/amc/en/>, accessed 6/29/17).

Its services also include a process for resolving disputes over domain names.

The WIPO Arbitration and Mediation Center provides time- and cost-efficient mechanisms to resolve internet domain name disputes, without the need for court litigation. This service includes the WIPO-initiated Uniform Domain Name Dispute Resolution Policy (UDRP), under which the WIPO Center has processed over 37,000 cases. (<http://www.wipo.int/amc/en/domains/>, accessed 6/29/17).

WIPO also offers a number of options for protecting intellectual property, such as PCT – The International Patent System:

The Patent Cooperation Treaty (PCT) assists applicants in seeking patent protection internationally for their inventions, helps patent Offices with their patent granting decisions, and facilitates public access to a wealth of technical information relating to those inventions. By filing one international patent application under the PCT, applicants can simultaneously seek protection for an invention in a very large number of countries (currently 152 states).

(<http://www.wipo.int/pct/en/>, accessed 6/29/17.)

Madrid – The International Trademark System:

The Madrid System is a convenient and cost-effective solution for registering and managing trademarks worldwide. File a single application and pay one set of fees to apply for protection in up to 114 countries. Modify, renew or expand your global trademark portfolio through one centralized system.

(<http://www.wipo.int/madrid/en/>, accessed 6/29/17.)

Hague – The International Design System:

The Hague System for the International Registration of Industrial Designs provides a practical business solution for registering up to 100 designs in over 66 territories through filing one single international application.

(<http://www.wipo.int/hague/en/>, accessed 6/29/17.)

As described above, different types of intellectual property protection are available and may be appropriate in various situations. Table 14.1 on pages 572-573 of

The Entrepreneur's Guide to Business Law provides an excellent overview of trade secret, copyright, patent and trademark in terms of the benefits of protection, duration, weaknesses, required steps and the validity of U.S. rights internationally. For example, as indicated on page 523 of *The Entrepreneur's Guide to Law and Strategy*, U.S. copyrights are generally valid overseas through a treaty called the Berne Convention for the Protection of Literary and Artistic Rights (typically referred to as the Berne Convention), which has been signed by most major countries). As the authors indicate, this means that parties to the Berne Convention agree to provide anyone holding a foreign copyright with the same protection that a national would have if the work were copyrighted in that country. Thus, they caution that the duration and scope of copyright protection in other countries may differ from the U.S. The authors describe how the World Intellectual Property Law Organization Copyright Treaty, which went into force in 2002, extends the Berne Convention copyright protection to computer and electronic databases. As they authors discuss on page 523, other provisions of the treaty include the obligation to provide legal protection and effective legal remedies to address the circumvention of copyright protection measures and removal of copyright management information.

On page 492, the authors of *Entrepreneurship & Small Business Management* discuss the importance of making sure that a trademark is properly registered and protected if your company plans to conduct business outside of the U.S. They indicate that the International Trademark Association (<http://www.inta.org/Pages/Home.aspx>, accessed 6/29/17) is an excellent resource and that this organization can help you apply for a Community Trade Mark (CTM), which will then provide trademark protection in the member states of the European Union. This organization also offers mediation and arbitration assistance.

(<http://www.inta.org/Mediation/Pages/AboutADRandMediation.aspx>, accessed 6/29/17.)

According to the entry for Patents in Wikipedia,

Under the World Trade Organization's (WTO) TRIPS Agreement, patents should be available in WTO member states for any invention, in all fields of technology, provided they are new, involve an inventive step, and are capable of industrial

application. Nevertheless, there are variations on what is patentable subject matter from country to country, even among WTO member states. TRIPS also provides that the term of protection available should be a minimum of twenty years. (<https://en.wikipedia.org/wiki/Patent>, accessed 6/29/17.)

G. Licensing Fundamentals

As indicated on page 489 of *Entrepreneurship: Successfully Launching New Ventures*, licensing “is the granting of permission by one company to another company to use a specific form of its intellectual property under clearly defined conditions.” The authors observe that nearly any kind of intellectual property that a company owns that is protected by a patent, trademark or copyright can be licensed to a third party. They also note that licensing can also work well for companies that create novel products, but do not have sufficient resources to build manufacturing capabilities or distribution networks. Another company may have these in place. A company may benefit from licensing the technology of other companies. As they authors describe on page 489, “[t]he terms of a license are spelled out in a licensing agreement, which is a formal contract between a licensor and a licensee.” Note also that a license can be exclusive, non-exclusive, for only a specific purpose or for a specific geographic area. As the authors state, in most cases, the licensee is going to pay the licensor an initial payment plus and ongoing royalty for the right to use the intellectual property.

The authors of *Entrepreneurship: Successfully Launching New Ventures* point to one of the attractive aspects of licensing, which is that there is no set formula for calculating the amount of the initial payment or the royalties. The determination of these payments will be part of the process of negotiating a license. As the authors illuminate on page 490, there are two main types of licensing: technology licensing and merchandise/character licensing. “Technology licensing is defined as the licensing of proprietary technology that the licensor typically controls by virtual of a utility patent.” On the other hand, “[m]erchandise and character licensing is the licensing of a recognized trademark or brand that the licensor typically controls through a registered trademark or

copyright.” The authors discuss Harley-Davidson as an example. As the authors advise on page 490, the key to merchandise and character licensing is to resist the temptation to license a trademark too widely and to restrict licensing to product categories that have relevance and that appeal to the company’s customers. In other words, what the licensor wants to avoid is anything that would reduce the strength of its brand. Thus, the burden is on the licensor to monitor how the licensee is using the license, such as ensuring that the licensee’s goods and services are of sufficient quality so that they reflect well on the brand overall.

Licensing intellectual property is covered in the final pages of Chapter 14 of *The Entrepreneur’s Guide to Business Law*, including the differences between assignment and licensing, key terms in licensing agreements, scope and contents of a license, payments and legal considerations, such as representations, warranties, indemnification and covenants. The use of open source software presents exciting opportunities for the development of technology; however, there are risks that must be carefully considered by the entrepreneur who uses open source to develop products.

Strategic alliances and joint ventures may be alternatives to licensing. As indicated in Table 14.6 of *Entrepreneurship: Successfully Launching New Ventures*, some of the advantages of participating in strategic alliances and joint ventures can include gaining access to a particular resource, such as capital, employees, specialized skills or modern production facilities, economies of scale, sharing of costs and risks, access to foreign markets, learning from each other, quicker access to markets and the ability to neutralize or even block competitors. On the other hand, in Table 14.6, the authors highlight a number of disadvantages with strategic alliances and joint ventures, including the potential loss of proprietary information, complexity in management, financial and organizational risks, the risk of becoming overly dependent on the other partner, loss of autonomy in decision-making, a clash of corporate cultures and loss of organizational flexibility.

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S. Mariotti & C. Glackin, *Entrepreneurship & Small Business Management*, 2nd ed. Pearson, 2015.

Other Items of Interest:

- Rude Awakening: Copyright Decision Could Rouse Patent Holders to Sue Decades After Alleged Infringement – from *ABA Journal*
- Boxed In? EU Court Invalidates Luxury Trademark on Checkerboard Pattern – from *ABA Journal*
- Patent Tension: The Federal Circuit and the Supreme Court Continue Their Tug-of-War Over Interpretations of Patent Law – from *ABA Journal*
- ‘Cause They Never Go Out of Style: Why Musicians Are Registering More Trademarks Than Ever – from *Landslide*
- Conversations in IP Law: Oliver Herzfeld of Beanstalk Talks About Brand Value and Outsourcing
- How Should I File – from *The Federal Lawyer*
- Gambling on Patentable Subject Matter: The Intersection of Daily Fantasy Sports and Patent Litigation – from *Landslide*
- Agile Product Development Process – from *Lifecycle Insights*
- Beginners Guide to Agile Product Development – from *Cleverism*
- The Pros and Cons of Agile Product Development – from www.uservice.com
- Protecting IP in an Agile Software Development Environment – from *IP Watchdog* and *Landslide*
- The Law of YouTubers: The Next Generation of Creators and the Legal Issues They Face – from *Landslide*