

**INTELLECTUAL PROPERTY LAW**

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**Introduction to Intellectual Property**

**FOUR FORMS**  
The four forms of intellectual property are:

- PATENTS**
- COPYRIGHTS**
- TRADEMARKS**
- TRADE SECRETS**

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The type of and scope of property rights vary between the four forms of intellectual property.

Once created, intellectual property is transferable via the ordinary law of contracts and personal property.

Once protection terminates, or if protection is not properly obtained, then the intellectual property reverts to the **public domain**.

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The **public domain** contains all knowledge that is not protected by intellectual property law.

All **intellectual property law** provides **protection that is limited**, either in **duration** (e.g., patent and copyright) or in **scope** (e.g., **fair use** in copyright).

**Unauthorized use** of protected intellectual property is an **infringement** of the property owner's rights.

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#### BASIC CONCEPTS

**Contract negotiations and drafting are critical.**

Who owns what is largely set by contract.

The **employment** contract will play an important role.

The **written** employment contract will be most important.

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Within the zone of protection for intellectual property **unauthorized use** of the intellectual property is an **infringement**.

Damages available to the plaintiff for the defendant's infringement depend on the type of intellectual property and the type of infringement.

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**PATENTS** protect **ideas**  
reduced to **physical practice**

**COPYRIGHTS** protect **expressions** of ideas

**TRADEMARKS** protect marks that **identify**  
a **source of goods or services**

**TRADE SECRETS** protect  
**commercially valuable**  
**generally unknown**  
**information**

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**FEDERAL versus STATE**

Patents and copyrights are federal.

In the U.S.A. *Constitution*,  
the States gave Congress the power

"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."  
Art. I, Sec. 8, cl. 8

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**Trademarks**  
are creatures of  
**federal, State, and common law.**

**Trade secrets**  
are creatures of  
**state and common law.**  
In late **1996**,  
Congress passed a criminal statute dealing with  
**international** industrial espionage.

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**PATENTS**

the **types** of patents,  
what is **required** to obtain a patent,  
what **rights** does a patent confer on the owner, and  
what is the **duration** of a patent.

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**TYPES OF PATENTS**

There are three types of patents:

**UTILITY PATENTS**

**useful and functional aspects** of technology  
this is typically what is meant by "patent"

**DESIGN PATENTS**

original **appearance** or ornamental aspects of  
useful article, but not functional aspects

**PLANT PATENTS**

invent or discover a new variety of plant, and  
**asexually reproduce**

**To obtain a patent you must disclose your invention in your application.**

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The society makes a **trade** with you:  
in exchange for you **disclosing** your invention  
the government grants you a **legal monopoly**  
on your idea for a limited term.

**Your patent application must disclose**  
your idea so clearly that a **person of ordinary skill**:  
is **enabled to practice** the invention, and  
is shown the **best way** to practice the invention.

The patent application supports the patent claims  
which are the basis for the legal protection of the  
legal monopoly. Unauthorized use of the  
protected claims is patent infringement.

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**TO OBTAIN A PATENT**  
Your invention must satisfy:

- subject matter,
- genuineness,
- usefulness,
- novelty, and
- not obvious in light of current technology.

Genuineness and usefulness are easy to satisfy.

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**GENUINENESS**

only the true inventor  
may sign the patent application  
only a human can invent  
typically,  
the employee or independent contractor  
is the true inventor

**USEFULNESS**

very easy to satisfy

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**PATENTABLE SUBJECT MATTER**  
**INCLUDES**

- process
- machinery
- manufacture
- composition of matter

**EXCLUDES**

- laws of nature
- physical phenomena
- abstract ideas
- printed

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**NOVELTY**  
view novelty as a **bar** to patent

look for a **lack of novelty**

show not novel by . . .  
printed publication **anywhere** in the world  
public use in **USA**  
on sale in **USA**

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**NON - OBVIOUS**

Must be **not obvious**,  
to a person of ordinary skill in the art,  
in light of current technology.

More than novel.

Ask three questions.  
\* What are the **differences**?  
\* What is the **ordinary skill level**?  
\* Would the **difference be obvious**?

Your application must disclose so as to enable  
the best method of practice.

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**RIGHTS OF PATENTS**

A patent is a **legal monopoly**.

The patent owner has the legal right to exclude.

You may **EXCLUDE others** from:

**MAKING,**  
**USING,**  
**SELLING, and**  
**IMPORTING.**

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**DURATION OF PATENTS**

A patent is a legal monopoly for **twenty (20) years**.

Prior to GATT, the USA used a 17 year term. Prior to GATT, the 17 year term could be extended to compensate for regulatory review by the F.D.A.

The 20 year term will be cut short unless the patent owner pays "**maintenance fees**" at  
3 1/2 years,  
7 1/2 years, and  
11 1/2 years.

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**REVERSE ENGINEERING**

does not strip the patent owner of any rights.

Recall **disclosure** in application.

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**COPYRIGHT**

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**COPYRIGHTS**

protection of the expression of an idea,  
rather than the idea

exclusive ownership right to expression

**ORIGINAL**

works of authorship **FIXED**  
in a **TANGIBLE MEDIUM** of expression  
from which works may be  
**PERCEIVED, REPRODUCED, or otherwise**  
**COMMUNICATED.**

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**COPYRIGHT SUBJECT MATTER**

**literary** (e.g., computer program)

musical

dramatic

choreographic

pictorial & sculptured

motion picture

sound recording

architectural work

compilations of data

major international fight in late 1996:

is "sweat of the brow" equal to **originality**?

computer chip masks

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**Old copyright law** (i.e., pre - 1989)  
was formalistic.

It was easy to lose a copyright.

**As of 1989**, new copyright law is simplified.

**AUTOMATIC COPYRIGHT**

REGISTRATION IS NOT NECESSARY, *but*  
*registration must precede*  
*filing a copyright infringement suit.*

**NO FORFEITURE**  
**FOR LACK OF © WITHIN ONE YEAR.**

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**RIGHTS OF COPYRIGHTS**

**EXCLUSIVE RIGHT TO:**

- \* **COPY**,
- \* prepare **DERIVATIVE** works,
- \* **DISTRIBUTE**,
- \* **PERFORM** works in public, and
- \* **DISPLAY** works in public.

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**EXCLUSIVE RIGHTS LIMITED BY:**  
**FAIR USE** (a major limitation),

1. **purpose** of copy  
non-profit in-class educational use
2. **nature** of the work  
books get more protection than data
3. **substantiality of the copying**  
small portions versus whole  
and *(but, in effect, an "and/or")*
4. **effect on the market**  
portion of the potential market for copies

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**DURATION**

author's life+ 70 years,  
creation + 120 years,  
publication + 95 years  
(In 1998 Congress added 20 years.)

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**WORK - MADE - FOR - HIRE**

employers  
are the "author" for works created by  
employees within scope of employment

independent contractors are the "author"  
unless there is a signed contract prior to creation

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**TRADEMARKS**

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**TRADE MARKS**

Exclusive right to use a specific MARK  
on a product or service to IDENTIFY a SOURCE:  
e.g., manufacturer or seller.

Gain exclusive right by use,  
by AFFIXING the mark.

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**Federal protection is national.**  
Whereas, State protection is limited to area  
in the State where the mark has been used.

A prior federal registration of a mark  
**PREEMPTS** subsequent State trademark rights.

**BUT** prior State use or registration  
is **not preempted**  
by subsequent federal registration.

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For federal protection,  
must use or  
intend to use  
(e.g., investment in marketing plan)  
in interstate commerce.

Trademarks are for products;  
Service Marks are for services.

**Marks are to aid the consumer.**

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**Under the Lanham Act,**  
federal registration with the  
Patent and Trademark Office (PTO)  
establishes  
**priority and scope of protection:**  
more than one source  
may have the right to use a mark.

Marks which create a  
**LIKELIHOOD OF CONFUSION**  
as to the source are **not permitted**.

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Marks are valid as long as they are used.

**PROTECTABLE MARKS:**

Identify the source,  
not the name of the item  
(e.g., Frisbee, thermos, aspirin)

fanciful words,  
personal or geographic names,  
symbols,  
slogans,  
shapes,  
colors, or  
scents.

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**DISTINCTIVENESS**

**inherently distinctive**

fanciful  
arbitrary  
suggestive

not inherently distinctive = **descriptive**  
descriptive is protectable  
if **secondary meaning**

not distinctive  
**generic**

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**TRADE SECRETS**

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Trade secret law is found in each State's common law and statutory law.

In late 1996, Congress adopted a federal criminal statute on international industrial espionage.

There is a wide variation by State.

Over 40 States, have adopted the Uniform Trade Secrets Act (UTSA).

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The elements of the UTSA definition of "trade secret" are:

**INFORMATION**

independent ECONOMIC VALUE from secrecy

REASONABLE EFFORTS TO MAINTAIN SECRECY

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Trade secrets can offer protection that patents and copyrights cannot.

Subject matter nearly unlimited.

Duration: protection as long as the secret stays generally not known.

Trade secrets need not be exclusive.

Protection against improper taking:

- \* unlawful
- \* improper under the circumstances

REVERSE ENGINEERING is a proper taking.

Recall that trade secrets are not exclusive.

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**ECONOMIC SIGNIFICANCE  
OF INTELLECTUAL PROPERTY  
POSITIVE VALUE**

Intellectual property can create a **competitive advantage**.

The competitive advantage may come in the forms of **cost reductions and increased revenues**.

Intellectual property can be the vary basis of the **firm's niche**, and may be the most important **asset** of the firm.

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**ECONOMIC SIGNIFICANCE  
OF INTELLECTUAL PROPERTY  
NEGATIVE VALUE**

Intellectual property may be so **valuable and portable** that the firm becomes a **takeover target**.

R&D expenditures rarely can be justified using **short term financial analysis**.

All firms in an industry will be tempted to become **"free riders"** on the R&D of others.

If many firms succumb to the temptation, then the firms and the **industry can stagnate and die**.

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