

INTELLECTUAL PROPERTY LAW

Introduction to Intellectual Property

FOUR FORMS

The four forms of intellectual property are:

PATENTS

COPYRIGHTS

TRADEMARKS

TRADE SECRETS

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.

**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**.

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.

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.

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.

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
reasonable efforts to protect

FEDERAL versus STATE

Patents and copyrights are federal.

**In the U.S.A. Constitution, Art. I, Sec. 8, cl. 8
the States granted 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."**

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.

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.

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.**

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.

TO OBTAIN A PATENT
Your invention must satisfy:

subject matter,

genuineness,
true inventor (i.e., human) must sign

usefulness,

novelty, and

not obvious in light of current technology.

Genuineness and usefulness are easy to satisfy.

PATENTABLE SUBJECT MATTER
INCLUDES

process
machinery
manufacture
composition of matter

EXCLUDES

laws of nature
physical phenomena
abstract ideas
printed

GENUINNESS

only a human may invent
an employee is presumed to be
outside the scope of authority
"hired to invent" if prior, written contract

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**

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.

1. What are the **differences**?
2. What is the **ordinary skill level**?
3. Would the **difference** be **obvious**?

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

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.**

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.

REVERSE ENGINEERING

does **not strip** the patent owner of any existing patent rights.

Recall **disclosure** in application.

The USA is unlike the rest of the world on the issue of a the race to the patent office.

USA = first to invent
rest of world = first to file

Reverse engineering may enable first to file so that first to invent no longer may practice the technology.

COPYRIGHT

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.

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**

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.

RIGHTS OF COPYRIGHTS

EXCLUSIVE RIGHT TO:

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

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

Fair use is part of the public domain during the duration of the copyright.

Also part of the public domain and outside of the legal monopoly granted by a copyright is parody.

Unlike Fair Use, parody springs from constitutional law, rather than statutory law.

Parody is a comedic mimicking.
Pretty Woman

DURATION

human author

life + 70 years,

corporate author

**creation + 120 years,
publication + 95 years**

**In 1998, Congress added 20 years.
Violated "limited times"?**

WORK - MADE - FOR - HIRE

Employers

**are the "author" for works created by
employees within scope of employment,
unless there is a signed contract prior to creation.**

**In contrast, principals are not authors.
Independent contractors are the "author"
unless there is a signed contract prior to creation.**

TRADEMARKS

TRADE MARKS are exclusive right to use a specific **MARK** on a product or service to **IDENTIFY** a **SOURCE**.

Gain exclusive right by use by **AFFIXING** the mark.

Federal protection is national.
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.

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, accordingly, parody of a trademark is NOT permissible.

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. Focus on the consumer.

LIKELIHOOD OF CONFUSION

as to the source are **not permitted**.
Focus on the consumer.

In 1999, Congress adopted an **anti-dilution** act for **famous** trademarks and to stop cybersquatters.

Parody of a trademark, unlike parody of copyright, is not permitted if the parody is likely to create confusion.
Mutant of Omaha

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.

DISTINCTIVENESS

inherently distinctive

fanciful
arbitrary
suggestive

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

not distinctive
generic

TRADE SECRETS

Trade secret law is part of each State's common law and statutory law.

There is a wide variation by State.

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

In late 1996, Congress adopted a federal criminal statute on international industrial espionage (which is most likely unconstitutional if applied domestically and clearly constitutional if applied internationally).

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

INFORMATION

independent **ECONOMIC VALUE** from secrecy

REASONABLE EFFORTS TO MAINTAIN SECRECY

Trade secrets can offer protection that patents and copyrights cannot.

Subject matter nearly unlimited.

Duration of protection is as long as the secret stays generally not known.

Trade secrets need not be exclusive.

Protection against improper taking, either because the taking is unlawful or is improper under the circumstances.

REVERSE ENGINEERING is a proper taking.

Recall that trade secrets are not exclusive.

The discovery of the trade secret by another does not, by itself, end your trade secret.

However, the general disclosure of your trade secret by any person, including an unlawful disclosure, does end your trade secret.

Covenant Not To Compete
proportional to legitimate business interest
reasonable time and area
Nebraska: one year & one county
reform versus sever versus void
