

Intellectual Property Law

INTELLECTUAL PROPERTY IS THE AREA OF LAW that protects a person's creative ideas, inventions, and innovations. It protects people's ownership rights in their creative ideas. It gives you the right to control the use of your creative ideas. It protects your ability to profit from your ideas. It also prevents other people from exploiting your creative ideas.

Intellectual property protection in the United States has a long history. The U.S. Constitution recognizes the importance of protecting intellectual property. This chapter reviews the major ways you can protect intellectual property. It also reviews the role of information technology in intellectual property issues.

Chapter 10 Topics

This chapter covers the following topics and concepts:

- Why intellectual property law is important
- What the concept of legal ownership is
- What the basics of patent protection are
- What the basics of trademark protection are
- What the basics of copyright protection are
- What the basics of the Digital Millennium Copyright Act are
- What some case studies and examples are

Chapter 10 Goals

When you complete this chapter, you will be able to:

- Describe the importance of intellectual property law
- Explain the basic concept of legal ownership
- Explain how patents are used and what they protect
- Explain how trademarks are used and what they protect
- Explain how copyrights are used and what they protect
- Describe intellectual property concerns with respect to Internet use
- Describe the Digital Millennium Copyright Act and what it protects

The Digital Wild West and the Importance of Intellectual Property Law

It's hard to know who coined the term "Digital Wild West." It's clear, however, that the term is a good description for the state of the World Wide Web (WWW, or "Web") today. Like the American "Wild West" in the latter half of the 19th century, the Web still has a frontier. Its outer limits are unknown.

The Web and our use of it are still changing and evolving. More people are accessing the Internet and using the Web than ever before. World Internet usage grew over 566 percent between the years 2000 and 2012.¹ Many different devices can access the Web. Cell phones, smartphones, netbooks, and televisions all access it. People can access the Web anytime, and from anywhere.

People are still exploring how to use the Web. They're joining social networking groups and taking many aspects of their lives "online." Organizations are learning how to conduct business online. Many people share novel ideas and champion social causes online. You can publish almost anything on the Web.

NOTE

The World Wide Web is a system of linked hypertext documents and other media that are connected through the Internet. The Internet and the World Wide Web aren't the same. The Internet is the infrastructure. The Web resides on the infrastructure.

NOTE

The U.S. Census Bureau has a Web site that attempts to measure the electronic economy. Their reports show that e-commerce continues to grow. The latest "E-Stats" report was issued on May 23, 2013. You can read the report at <https://www.census.gov/programs-surveys/e-stats.html>.

Like those of the American Wild West of the 19th century, the Web's boundaries are undefined. The landscape changes daily. Since the Web is always changing and growing, it's hard for the law to keep up. In the original Wild West, settlers relied more on the federal government for protection. They did this because local governments were often weak. In the digital West, federal and state laws impose order in a patchwork manner.

It's hard for the law to keep up with technology. The pace of the law is slow. It relies on the actions of legislatures and decisions in court cases. These bodies move slowly. Technology moves much more quickly. To compensate, the law attempts to apply traditional legal principles to online activities.

The Web facilitates the exchange of ideas in a fixed form. All types of people and organizations use it to communicate. They create Web sites and blogs to share information. Online newspapers and journals publish content every day. Content drives the Web. Because people can easily share information over the Web, they also can easily copy and reproduce materials without an original author's permission.

One traditional area of law that is adapting to new issues raised through technology is intellectual property law. **Intellectual property (IP)** is the area of law that protects a person's creative ideas, inventions, and innovations. Intellectual property law protects ideas once they're in a physical form. When materials are published on the Web, they're in a physical form. Traditional legal concepts about IP ownership and how to protect it are applied to content on the World Wide Web.

Legal Ownership and the Importance of Protecting Intellectual Property

NOTE

Corporations and businesses also can own property. So can governments. In the context of property law, a *person* is a real person or other legal entity. Legal entities include corporations, businesses, private organizations, and governments.

A legal owner of property has the right to use it in any way he or she wants to, and the power to give those rights to another. This is a *property interest*. It means that the owner has certain rights to property, and a court will enforce those rights if necessary. There are a number of different types of property ownership. A person can have a real property interest. This means that he or she owns land. A person also can have a personal property interest. This means that he or she owns physical possessions. Physical possessions are items like cars, books, and silverware. Owners of property have the ability to control how it's used.

Ownership is an important concept for intellectual property. An IP owner has certain exclusive rights. An owner is the person who created new works or inventions. That person is the only one that has these rights. Courts will enforce these rights. A court can punish people who violate these rights.

The federal government determines many intellectual property law rules in the United States. The U.S. Constitution specifically grants the power to do this. The Constitution grants 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.”² The drafters of the Constitution wanted to encourage innovation and discovery. To do this, they specifically said that authors and inventors must have the exclusive right to control their creations and inventions for a certain period.

The exclusive right to control how creations and inventions are used is the main purpose of IP law. Creators have a right to control how their creations are used for a certain period of time depending upon the underlying nature of the creation. Different laws protect inventions and literary works for different periods.

During the protected period, the creator or author of a work or invention is the only person who can use or reproduce it. This allows authors and inventors to profit from their creative efforts. People would not be encouraged to write new books or create new inventions if they didn’t have an opportunity to profit from their efforts. Intellectual property law protects these efforts. It also encourages them to continue to create. Ultimately, this helps the economy.

The federal law recognizes the following types of intellectual property:

- **Patents**—Used to protect inventions like machines, processes, designs, and specialized plants.
- **Trademarks**—Used to protect words, logos, symbols, or slogans that identify a product or service.
- **Copyrights**—Used to protect books, art, music, videos, computer programs, and other creative works.

Each type of intellectual property right is demonstrated in a different way. Each applies to different types of creations and inventions. They give protection for different lengths of times. They also have different requirements for establishing and enforcing IP rights.

Patents

A **patent** is an intellectual property right. It’s granted by the federal government. Congress enacted the most recent version of U.S. patent law in the Patent Act of 1952.³ Congress has amended this law several times. The most recent amendment to U.S. patent law was in 2011. In 2011 the Leahy-Smith America Invents Act⁴ introduced significant changes to U.S. patent law. The U.S. Patent and Trademark Office (USPTO) grants patents. The USPTO is an agency located in the Department of Commerce.

NOTE

Trademarks have the longest protection period. They’re protected as long as an owner continues to use it in commerce.

NOTE

The National Inventors Hall of Fame and Museum is located at the U.S. Patent and Trademark Office in Alexandria, Va.

NOTE

The USPTO granted 302,948 patents in 2013.

Patents are granted to encourage new and useful inventions. Patent owners have the right to keep others from making or using the patented invention. They also have the power to stop others from selling their invention.

Prior to March 2013, the United States followed a “first to invent” rule. It followed this rule for over 200 years. This meant that the first person to invent something and show that it works could patent it.

The America Invents Act drastically changed this rule. Starting in March 2013, the U.S. adopted a “first to file” system. This means that the first person to file for a patent has priority over all other people who have a similar idea. The change in the filing rules is meant to encourage inventors to patent their ideas sooner. It is intended to encourage innovation. It also brings the U.S. into alignment with other countries, many of whom follow “first to file” rules.

There are three types of patents:

- Utility patents
- Plant patents
- Design patents

Utility patents are the most common type of patents. They’re issued for inventions and discoveries. There are four main categories of utility patents. They are:

- Machines
- Manufactured products
- Processes
- Compositions of matter

Improvements on any of the items in the above list can also be patented. Utility patents are granted for a 20-year term. This term begins running on the date that the patent is granted.

Under patent law, a *machine* is an instrument or tool that completes a task by using moving parts. These parts interact with each other to accomplish a function. Machines are things like lawn mowers, elevators, and automatic can openers. Devices that work because of an electrical process, such as computers, also fall into this category.

NOTE

A manufactured product is called an *article of manufacture* in patent law.

Manufactured products are products without moving parts. A milk carton is an example of a manufactured product. A manufactured product may have moving parts. However, the moving parts don’t act together to accomplish a task. A folding table, even though it has moving parts, is a manufactured product. It’s not a machine.

A *process* is a way of completing a task through a series of steps or actions. It’s also called a method. A process can be patented as a utility patent. A recipe might be patentable as a process. Some types of computer software may be patentable as processes.

A *composition of matter* is a chemical compound. It's two or more substances combined together to make something new. Manufacturers patent new drugs under this subcategory of utility patents. Naturally occurring chemical compounds aren't patentable. For instance, air isn't patentable.

The second type of patents is plant patents. **Plant patents** are granted to an inventor who invents or discovers a new variety of plant. The inventor must prove that he or she can asexually reproduce the new plant. Asexual reproduction means that the plant is reproduced through cutting or grafting. Plants that grow from seeds don't reproduce asexually. Plants that are found in nature aren't patentable. A plant patent can protect special kinds of hybridized plants or food crops. Plant patents, once granted, last for 20 years.

The last type of patents is design patents. **Design patents** are granted for new and original ornamental designs for manufactured objects. A design is apparent in appearance. They're used to protect the visual appearance of an object. A design patent could protect the design for china or silverware. A design must be new and different from other designs in order to be patentable in this way. Design patents are granted for 14 years.

A design patent is different from a utility patent. Design patents protect only the appearance of an article. A utility patent protects how the article works. Unless otherwise noted, this chapter discusses utility patents.

Patent Basics

Inventions or discoveries must be *patentable* in order to be protected. They must meet certain requirements. An inventor must meet all of the requirements in a patent application.

Patent Requirements

In order to be patentable, an invention or discovery must be:

- Novel
- Useful
- Non-obvious

To be patentable, an invention or discovery must be novel.⁶ This means that it must be a new invention or discovery. The USPTO won't issue a patent for an item that isn't new. To be considered new, an invention must be different from the **prior art**. Prior art is public knowledge about an invention that existed prior to the date upon which a patent application is filed. An invention or discovery must include elements that make it different from prior art. An invention or discovery that merely contains prior art isn't new and isn't patentable.

The USPTO also looks at whether the invention was used in the United States or other countries prior to the date of the patent application. It also reviews whether the invention was patented or published in other countries. If people know about the invention or discovery in other places, then it's not new.

NOTE

A different federal law governs plants that grow from seeds. The Plant Variety Protection Act of 1970 protects these types of plants.

NOTE

In order to be patentable, the subject matter of an invention or discovery also must be patentable. The U.S. Supreme Court held in *Diamond v. Chakrabarty* (1980) that patentable subject matter is "anything under the sun that is made by man."⁵ Some types of items aren't patentable—including objects found in nature.

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NOTE

Under the laws of many countries, if an inventor announces or sells an invention to the public before it's patented, it automatically becomes not patentable. The United States modifies this very strict rule with a limited one-year grace period.

U.S. patent law does allow a limited exception to this general rule. It allows a one-year grace period for inventions made available to the public.⁷ It means that an inventor must file for a patent within one year of announcing the invention to the public. In some cases, an inventor may want to announce an invention or discovery prior to applying for a patent. Inventors do this to see if there's commercial interest in the invention. An invention or discovery is still patentable in the United States if the inventor files a patent application within one year of announcing it. The USPTO won't consider a patent application if it's submitted more than one year after the invention is announced.

Taking advantage of the one-year grace period can be risky for an inventor. Another person might see the invention and build upon it. If that person files for a patent before the first inventor, then the first inventor might lose her ability to patent her invention.

How Do You Protect Inventions Internationally?

In the United States, inventors register their patents with the U.S. Patent and Trademark Office. The USPTO patent grants apply only to the United States. They don't protect patents in foreign countries. If a person or business wishes to protect an invention in other countries, a foreign patent is needed.

Different countries have very different patent laws. Many foreign countries require that inventors file their patent applications before an invention is announced or sold. They won't grant a patent if the inventor announces or sells the invention prior to the application. The United States allows a one-year grace period for an invention that's announced or sold by the inventor before a patent application. Since countries have different patent laws, they enter into international treaties to try to put all inventors on an even playing field for protecting their inventions internationally.

The Paris Convention for the Protection of Industrial Property (1883) was the first treaty to try to address patents on an international level. This treaty is important because it fixes the filing date of patent applications to the date that the inventor first files a patent application in his or her home country.

The Paris Convention says that someone who files for a patent in their home country can use that filing date with other member nations to establish his or her patent's priority in those nations. This protects an inventor's "place in line" in other countries. This priority right is available for only 12 months after the very first patent application. If an inventor wants to protect an invention in other countries, he or she must file patent applications in those countries within 12 months of first filing for a patent in the home country. Inventors who don't file within 12 months lose their place in line for determining patent ownership.

The United States joined the Paris Convention in 1887. The Paris Convention establishes only the priority filing date. It doesn't confer other benefits to member nations. Inventors still must follow all the other provisions of patent laws in other countries in order to protect their inventions internationally.

This is because, in the U.S., the first person to file for a patent has priority over all patents that claim a similar invention. In this example, the second inventor's patent application contains material that is considered prior art when the first inventor files her own patent application later. The rules for determining priority in a patent application are very tricky. This is why many inventors hire attorneys to help them navigate the patent process.

The second patentability requirement is that an invention or discovery be useful.⁸ This requirement is also called *utility*. An inventor can meet this requirement by showing that the invention or discovery is beneficial to society. The inventor also must show that the invention actually works. The USPTO may reject patent applications that don't show that an invention or discovery is useful. It also can reject patent applications where the claimed usefulness seems implausible.

The final patentability requirement is that the invention or discovery must be non-obvious.⁹ This requirement is closely related to the "novelty" requirement. If an invention or discovery isn't obvious, then it's patentable. Obvious inventions or discoveries aren't patentable.

It can be a very long and expensive process to file multiple patent applications within one year.

The Patent Cooperation Treaty of 1970 (PCT) attempts to streamline the application process.

The World Intellectual Property Organization (WIPO) administers the PCT. The WIPO is part of the United Nations.

The PCT was created to make international protection of patents easier. The treaty allows an inventor to file for patent protection simultaneously in a number of member countries. The PCT allows inventors to file one international patent application.

Inventors submit the international patent application to their national patent office or to the WIPO in some situations. This application then has the same effect filing for a patent in member countries. As under the Paris Convention, the filing date for the international application is fixed in priority as soon as the application is submitted.

Under the PCT process, an international patent application is subject to an international search. Examiners review the published documents in all member countries to see if there's any information that might affect the patentability of the invention. The search is very comprehensive.

The PCT gives other benefits as well. Under the PCT, inventors have up to 18 months after they submit their international patent applications to decide whether they'll pursue patents in other countries that are PCT members. If they do, the patent process is shortened because other countries will rely on the results of the international search in conducting their own review of the patent application. In addition, the inventor is guaranteed patent protection as of the date of the original international application. This is important because many foreign countries grant patent protection only to the first inventor who files for a patent application.

The United States joined the PCT in 1978. More than 145 countries have signed the treaty. You can read more at <http://www.wipo.int/pct/en>.

FYI

Judge Learned Hand was a U.S. federal court judge. He served as a judge for the United States District Court for the Southern District of New York. He also served as a judge on the Second Circuit Court of Appeals. Courts and attorneys often quote his opinions on patent and copyright law. Judge Hand wrote very clearly on a complicated topic.

Sometimes this requirement is hard to understand. Many inventions or discoveries seem obvious once they're publicly announced or offered for sale. People often say "Why didn't I think of that?" when they see these types of products. Courts have recognized that an invention that seems obvious after it's created may actually meet the non-obvious requirement. That's the nature of some types of inventions. Judge Learned Hand even said, "It certainly cannot be necessary to repeat the well-known principle that it is no indication of noninvention that the device should seem so obvious after it is discovered."¹⁰

The USPTO looks at prior art and how an invention is used in order to determine if it's non-obvious. An invention is non-obvious if a person with ordinary skill in the kind of technology used in the invention wouldn't have discovered or invented it. The invention also must be sufficiently different from prior art. It's important to remember that the USPTO reviews these elements based on the date of the inventor's patent application.

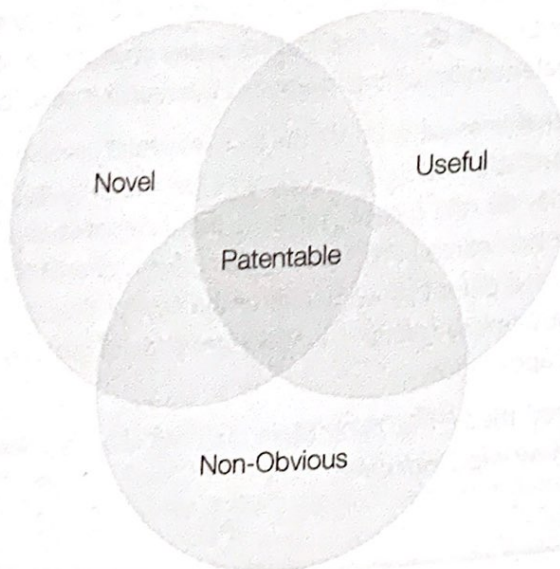
Figure 10-1 shows how the three patentability requirements work together.

The Patent Process

An inventor must submit a patent application to the USPTO to patent an invention or discovery. **Patent prosecution** refers to the actions the USPTO must complete in order to grant a patent. It takes the USPTO almost 18 months to prosecute a patent application.¹¹ This is the period from submitting a patent application to receiving a decision on it.

FIGURE 10-1

Patentability requirements.



Some types of patent applications take even longer to prosecute. In 2013, the USPTO took almost 20 months to make decisions on patents related to computer architecture and information security.¹²

A patent application contains the following basic parts:

- **Specification**—The written technical description of the invention. The specification also contains information about how to make and use the invention. The specification must include enough information that a person with ordinary skill in the relevant area could make the invention based on the specification.
- **Drawings**—The pictorial description of the invention. The drawings must completely describe the invention or discovery. They help the USPTO understand the invention or discovery.
- **Oath**—The inventor must sign an oath that he or she is the first inventor of the item described in the patent application.
- **Filing fees**—There are different filing fees based upon the type of patent. There are also additional fees for large patent applications, search fees, and examination fees.

A patent application specification must include at least one claim. A “claim” defines the part of the invention that’s to be protected by the patent. A patent specification may have a number of different claims.

Once the USPTO receives a patent application, it reviews it to make sure that it meets the patentability requirements. Patent office “examiners” conduct this review. U.S. law requires patent examiners to have sufficient “legal knowledge and scientific ability” to conduct this review.¹³ After review, an examiner either rejects the application or issues a patent.

An inventor must pay patent maintenance fees once the USPTO issues a patent. This keeps the patent in force. If an inventor doesn’t maintain a patent, then other people can take advantage of it. Patent maintenance fees are due at 3.5, 7.5, and 11.5 years after the original patent issue date.

Infringement and Remedies

When an inventor receives a patent for an invention or discovery, he or she has the exclusive right to keep others from using that invention. The inventor is the only one who can make, sell, or use it. This protection begins when the patent is issued. It lasts for as long as the patent is valid. The federal government doesn’t enforce patents. Instead, inventors must enforce their own rights. They must sue people who violate their patent rights. They may sue people who make, use, or sell the patented invention during the patent period. They also may sue a person who makes, uses, or sells a substantially similar product.

NOTE

USPTO employees aren’t allowed to apply for patents of their own. See U.S. Code, Vol. 5, sec. 4.

NOTE

You can see the current USPTO fee schedule at <http://www.uspto.gov/web/offices/ac/qs/ope/fee010114.htm>. Using the fee schedule, how much does it cost to maintain a patent over its lifetime?

NOTE

A *patent troll* is a person who owns a patent but doesn’t intend to make, use, or sell the invention. Instead, patent trolls enforce their patent rights and file lawsuits against alleged infringers. The term isn’t complimentary. It refers to a person who is overly aggressive and opportunistic.

A person who violates the IP rights of another is called an *infringer*. It doesn't matter if the infringer intended to violate the inventor's patent. An inventor can hold an infringer liable for violating a patent even if the infringer acted unwittingly. This is called **strict liability**. Strict liability means that people can be held responsible for their actions even if they didn't intend to cause harm.

If inventors want to sue for patent infringement, they must do so in federal court. This is because patents are governed by federal law. Federal district courts have original jurisdiction for patent infringement cases.

Infringers have two basic defenses to an inventor's claim of patent infringement. The first defense is that the inventor's patent is invalid for some reason. For example, a patent is invalid if an invention was publicly announced or sold for more than one year prior to the patent application. The infringer would argue that the patent isn't valid because the inventor violated the one-year grace period rule. An infringer also could argue that a patent is invalid if the inventor violated certain federal laws. It could also be argued that a patent isn't valid if the inventor misleads the USPTO during the patent application process.

Under patent law, an issued patent is presumed to be valid.¹⁴ This means infringers can't merely assert that a patent is invalid to defend themselves in a lawsuit. Instead, they must prove that the patent is invalid for some reason. This is called the burden of proof. The infringer has the burden of proving that an issued patent is invalid.

Infringers also can argue that even if an inventor's patent is valid, they didn't violate it. They can claim that their products or inventions don't infringe upon the inventor's patent. These cases can become very technical. Courts and jurors must review the technical specifications of products and patents to decide whether infringement occurred.

Remedies in an infringement case include injunctive relief and damages. Inventors

want the court to issue an injunction that orders the infringer to stop violating the inventor's patent. This type of order means that the infringer can no longer make, use, or sell a product that infringes on the inventor's patent.

Inventors also are entitled to money damages in an infringement case. Damages compensate the inventor for profits that they may have lost because of the infringer's actions. In some cases, an inventor may be entitled to treble damages if the infringer willfully violated the inventor's patent.¹⁵ They may also be entitled to recover their attorney's fees in some cases.¹⁶

NOTE

In the United States, the general rule is that each party in litigation will pay its own attorney's fees. In some cases, courts can order the losing party to pay the winning party's attorney's fees. Courts usually award attorney's fees as a penalty for bad behavior or frivolous lawsuits.

What Is the Difference Between Patents and Trade Secrets?

Patents are intellectual property rights that are granted under federal law. They grant exclusive rights to an inventor of an item for a certain period of time. A patent owner has the right to keep others from making or using the patented invention. He or she also has the power to stop others from selling their invention.

A **trade secret** is similar. Trade secrets protect the formulas, processes, methods, and information that give a business a competitive edge. Trade secrets must have value to

FYI

Trade secret law is considered a part of intellectual property law. It sometimes doesn't receive as much attention as patent, trademark, or copyright issues. This is because patent, trademark, and copyright protection is based on federal registration and public disclosure. Trade secret protection is based on secrecy and confidentiality. The study of trade secrets is sometimes minimized because the process for protecting trade secrets is so different from those of these other categories of intellectual property.

a person or business. Otherwise, there's no reason to protect it. A trade secret is a common law concept. It's been codified under federal law and by many states. To establish a trade secret, the information that's to be protected must:

- **Have value**—The information must have economic value. This means that it's valuable to the business that protects it. It also means that it would be valuable to competitors of the business. This also takes into account the money, time, and resources that the business put into developing the information. The more valuable the information, the more likely that it's a trade secret.
- **Be unknown**—The information must not be known outside of the business. If other companies or people know about the information, then it's not a secret. Any public awareness of the information can end its protected status.
- **Be unascertainable**—The information must not be easy to duplicate or even reverse engineer. If little effort is needed to ascertain the information, then it's unlikely to be considered a trade secret.
- **Be protected**—The information must be protected. This means that the business must take steps to make sure that it doesn't become accessible or known to the public. To protect the information, a business should use confidentiality and non-disclosure contracts when they share the information with others. The more a business protects the information, the more likely it's a trade secret.

▶ NOTE

Unlike patents, trade secrets aren't registered. A person or business doesn't have to meet any registration or procedural formalities to protect their trade secrets.

Because they're kept secret, trade secrets can be protected for an unlimited period of time. In order to enforce their trade secrets, a person or business must take actions that protect them and keep them secret. A recent Alabama Court of Appeals case dealt with the protection of trade secrets. In that case, documents that contained trade secret information were left in an unmarked box on the back seat of a company vehicle. The keys to the vehicle were not safeguarded. Many company employees potentially had access to the vehicle. In determining that the company didn't take proper steps to protect its trade secrets, the Alabama Court of Appeals said, "we aren't convinced that leaving allegedly confidential and sensitive documents in a cardboard box in a company vehicle for over one week ... amounts to a reasonable step to ensure the secrecy of the information contained therein."¹⁷

How Should an Invention or Process Be Protected?

A person or business has to weigh many factors when considering whether to protect an invention through a patent or as a trade secret. They include:

- Whether the invention currently protected by trade secret is patentable. If it is, the person must review whether a patent provides better intellectual property protection.
- What processes and controls can be used to make sure that only a limited number of people know about the invention. A person must make sure that everyone knows that an invention protected as a trade secret must be kept extremely confidential.
- How long the person wishes to protect the invention and the type of protection required.

Trade secrets can be used to protect almost everything. One of the best-known examples of a trade secret is the Coca-Cola secret formula. The Coca-Cola company even has an exhibit in its company museum about how it protects its trade-secret formula. Trade secrets also can be used to protect special ways to manufacture products, or a process for conducting business.

Patents are limited to protecting only certain types of inventions or discoveries. To be patentable, an invention or discovery must meet all patentability requirements. If an inventor fails to meet any one of the requirements, then the USPTO can deny the patent application.

Advantage goes to: Trade secrets. Trade secrets can protect more types of inventions and discoveries.

The owner of a patent has the exclusive right to use the invention or discovery that is patented. That means that the owner can stop anyone else from using it. It's a violation of a patent to reverse engineer a product and recreate it. Only the patent owner can make the patented product.

Under trade secret law, it's not a violation to reverse engineer a product. This means that a person can analyze products to try to determine their secrets. For instance, chemists have tried to figure out the Coca-Cola secret formula. So long as a person lawfully obtains the product, analyzing it to figure out its trade secrets is legal.

Advantage goes to: Patents. Patents give greater protection against use than trade secrets.

A patent's exclusive protection lasts only for the period of the patent. In most instances, this is 20 years. During this time, the inventor has the sole right to make, use, or sell the product. After the patented period is up, anyone may make the underlying product.

Trade secret protection can last forever. It lasts as long as the trade secret is kept confidential. Businesses implement many different types of policies to keep trade secrets confidential. They use access-control mechanisms in computer systems. They limit physical access based on need-to-know principles. They may even use separation-of-duty principles to make sure that no one person knows an entire trade secret.

Advantage goes to: Trade secrets. Trade secrets can be protected longer.

If a company patents a process, invention, or method, it may lose trade secret rights in it. Patent applications are made available to the public 18 months after they're filed. The only exception to this rule is if the inventor states that he or she is not filing for a patent abroad. The USPTO makes patent information available when a patent is issued. Once information is made available to the public, it no longer can be protected as a trade secret.

If a trade secret is stolen, then a person can pursue remedies allowed under law against the thief. A person who violates a trade secret can be held responsible under civil and criminal law.

Trademarks

A **trademark** is an intellectual property right. It's used to protect words, logos, and symbols that identify a product or service. Businesses spend a lot of money developing their trademarks. A trademark is used to distinguish between different products. A mark used to identify services is called a **servicemark**.

The laws for trademarks and servicemarks are the same. Trademarks and servicemarks are collectively called *trademarks* in many texts, including this one. Even the U.S. Patent and Trademark Office uses the term *trademark* to describe both types of marks.

Trademarks represent a business's commercial identity. Some marks are well recognized by the public. For example, the distinctive red bull's-eye design of the Target Corporation identifies a retail department store. The bull's-eye design is its registered trademark. The New York Times Company has used the trademarked slogan "All the news that's fit to print" since 1896. It registered the slogan in 1958. The slogan still appears on the front page of *The New York Times* today.

Trademarks encourage brand loyalty. They also make it easy for customers to recognize products made by a particular manufacturer. They represent goodwill. Goodwill is the image and reputation a business has with its customers. Entities protect their trademarks from misuse because they want to protect their business and reputation.

Both federal and state laws govern trademarks. Federal trademark protection is the most well-known. The federal government regulates trademark registration under the Commerce Clause powers granted by the U.S. Constitution. Congress enacted the first trademark law in the late 1800s. Today the main federal law protecting trademarks is the Lanham Act (1946).¹⁸ The Lanham Act allows for federal registration of trademarks. It also defines how trademarks can be protected. This chapter discusses federal trademark protection.

NOTE

The U.S. Patent and Trademark Office says the oldest U.S. trademark still in use was registered in 1884. The design is the word SAMSON with a picture of a man wrestling a lion. Samson Rope Technologies uses the trademark on its products. You can see the trademark at www.samsonrope.com.

NOTE

The Lanham Act also is known as the Trademark Act of 1946.

Trademark Basics

Trademark protection rights belong to the first person who uses the trademark in commerce. This is different from patent and copyright laws, which award rights to the inventor or author. The first person or business to use the trademark in commerce will have certain common law rights to use the trademark. This is true under common law and state and federal trademark statutes. Entities that use trademarks in U.S. interstate commerce often register them with the U.S. Patent and Trademark Office. Entities that use trademarks only in one state may choose to register only in that particular state.

The rise in Internet e-commerce may mean that more businesses will pursue federal registration for their trademarks. This is because business conducted over the Internet can't really be limited to customers of only one state. If an entity wants to conduct business over the Internet, it may want to register its trademarks with the federal government.

There are several benefits to federally registering a trademark. They are:

- **Notice of the date of first use**—The filing date of the registration application gives the public notice about use of the trademark. It establishes a priority date for determining who was the first person or company to use a particular trademark. It establishes evidence of ownership of the trademark.
- **Right to sue in federal court**—A person or entity who registers a trademark with the USPTO has the right to sue infringers in federal court. They also have the right to recover damages and costs associated with an infringement lawsuit. In some cases, they may be able to recover attorney's fees.¹⁹

► **NOTE**

Trademarks that aren't federally registered often carry the raised "TM" symbol, or TM, to show that a person or business claims the underlying trademark as its own. Trademarks registered under state laws may use this notation.

- **Limited ways to challenge the trademark**—

After five years of registration, a trademark can be contested only in limited ways. There are very few exceptions to this rule.²⁰

- **Right to use the federal registration symbol**—

Only a federally registered trademark can use the federal registration symbol.²¹ The symbol is an uppercase R in an enclosed circle, or ®. A person violates federal law if he or she uses this symbol on a trademark that isn't federally registered.

A person must meet two basic requirements to register a trademark with the USPTO. They are:

- Use of the trademark in interstate commerce
- Distinctiveness of the trademark

► **NOTE**

The federal government can regulate interstate commerce only under its Commerce Clause authority. That's why a trademark must be used in interstate commerce in order to be federally registered. A trademark that's used only in one state can be registered under the state's trademark law.

Use in Commerce

First, the trademark must be used in interstate commerce.²² A person uses a trademark in interstate commerce when it's placed on goods or services and sold to the public in a number of different states. The registration application must state when the trademark was first used in commerce.

A person may still register the trademark even if it's not used in interstate commerce at the time that the registration is filed. In this case, the person registering the trademark must show good faith intent to use the trademark in commerce in the future. "Good faith" means that a person honestly intends to use the trademark in interstate commerce.

Under the law, the person must begin using the trademark within six months after the USPTO approves it. The USPTO can extend this period up to 2.5 years.²³ A person must notify the USPTO once it begins to use the trademark. At this point, the USPTO will issue the trademark registration.

Distinctive

The second basic requirement is that a trademark must be distinctive.²⁴ Almost anything can be a trademark. It's anything used by a person to distinguish their goods and services from another person's goods and services. Words, numbers, logos, and pictures can all serve as trademarks.

The USPTO has two methods of registering trademarks. They're the "Principal Register" and the "Supplemental Register." Strong trademarks are registered right away on the "Principal Register." These trademarks are inherently distinctive. This is a term of art in trademark law. Registration on the "Principal Register" is the main way of registering trademarks. It gives a trademark owner the greatest amount of rights under federal law.

Weaker trademarks can be registered on the "Supplemental Register." These trademarks meet all of the registration requirements except that they're not inherently distinctive. The only federal right granted by registering on the "Supplemental Register" is that the trademark owner may sue in federal court for trademark infringement. After five years of using the trademark, the owner may submit proof of trademark use and evidence that it has achieved a secondary meaning. The USPTO will then move the trademark from the "Supplemental Register" to the "Principal Register."

The Registration Process

A person must submit a trademark registration application to the USPTO in order to register a trademark. It takes the USPTO about 13 months to review trademark applications.²⁵ The USPTO encourages trademark applications to be filed electronically. The USPTO processes electronic applications faster than paper applications. To encourage electronic applications, the USPTO makes paper application forms available only by special request over the telephone.

A trademark application must contain the following:

- Name and contact information for the owner of the trademark
- A drawing of the trademark
- A technical listing of the goods or services that the trademark represents
- Filing fee

After the application is filed, it's forwarded to an examiner. The examiner reviews the application to determine whether it's complete. They also review proof that the trademark is used in commerce. They review the trademark to make sure that it's inherently distinctive. Finally, they review other trademarks to search for conflicts.

NOTE

You can learn more about the USPTO's Trademark Electronic Application System (TEAS) at <http://www.uspto.gov/trademarks/teas/index.jsp>.

Strong Versus Weak Trademarks

The USPTO "Principal Register" is for trademarks that are "inherently distinctive." These are strong trademarks. Traditionally, trademarks are inherently distinctive if they do more than describe a good or service. Trademarks that are unrelated to a good or service and are fanciful, arbitrary, or suggestive are considered strong trademarks.

The USPTO's oldest registered trademark is a good example of a strong trademark. That trademark is the name SAMSON with a picture of a man wrestling a lion. It has nothing to do with the company's product, which is rope. It's a strong trademark because it's inherently distinctive. Customers who see the trademark will immediately associate it with the Samson Rope Corporation.

One of the best examples of an inherently distinctive trademark is the Apple Corporation's rainbow-colored apple. It's their registered trademark. The trademark is inherently distinctive because it has nothing at all to do with the company's product. When customers see the rainbow-colored apple with a bite taken out of it, they immediately think of Apple computers. This trademark wouldn't have been inherently distinctive if an apple grower or a grocery store used it.

Weak trademarks aren't inherently distinctive. The most common type of weak trademark is a descriptive trademark. A trademark is descriptive when it describes the underlying product that it represents.

Descriptive trademarks get protection when they achieve secondary meaning. A trademark has "secondary meaning" when the public associates it with a particular good or service. Once a person can show that a trademark has a secondary meaning, it's entitled to full trademark protection.

For example, the trademark Kellogg's Raisin Bran is a descriptive trademark. It describes a kind of breakfast cereal. It has achieved secondary meaning as a particular type of cereal. It's a registered trademark of the Kellogg Company. The trademark Carpetland, USA for a flooring store is also descriptive. It also has acquired secondary meaning as a particular type of flooring store. It's a registered trademark of the Carpetland, USA Corporation.

If the USPTO determines that a trademark is descriptive and it hasn't achieved a secondary meaning, that trademark is listed on the "Supplemental Register." The only federal right granted by registering on the "Supplemental Register" is that the trademark owner may sue in federal court for trademark infringement. After five years of using a trademark, the owner can submit paperwork to move the trademark from the "Supplemental Register" to the "Principal Register."

Some types of trademarks can never be registered. For example, generic trademarks can't be registered. They aren't eligible because they describe a class of products and aren't unique. For example, the word "butter" can't be trademarked because it describes a class of dairy products.

An examiner can reject a trademark for a number of reasons. They include:

- The proposed trademark is a generic name for goods or services.
- The proposed trademark is descriptive of the applicant's goods or services and there's no secondary meaning.
- The proposed trademark is similar to another trademark already registered, and use of it on the applicant's goods or services is likely to cause customer confusion.
- The proposed trademark contains immoral, deceptive, or scandalous matter.
- The proposed trademark may disparage or falsely suggest a connection with persons (living or dead), institutions, beliefs, or national symbols.

When the USPTO approves a trademark, it publishes the trademark in the *Official Gazette*. The *Official Gazette* is the USPTO's official publication. It publishes the *Official Gazette* every week. It includes a listing for trademarks and a listing for patents.

The *Official Gazette* gives the public notice of new trademarks.

Once the trademark is published, any party who has concerns about the trademark may contest it. They have 30 days from the date of publication in the "Official Gazette" to file an "opposition" to the registration.²⁶ An "opposition" is a proceeding before the Trademark Trial and Appeal Board. This Board hears trademark disputes.

If no one opposes the trademark, the USPTO issues a Certificate of Registration for it, if it is already used in interstate commerce. If the person registering the trademark hasn't used it in commerce, he or she must begin using it within six months after the USPTO approves it. A person must notify the USPTO once he or she begins to use the trademark. The USPTO will then register the trademark.

The registration period for a trademark is 10 years for new registered trademarks. Some registrations issued before November 16, 1989, have different renewal periods. Between the fifth and sixth year after a person first registers a trademark, he or she must submit an "Affidavit of Use."²⁷ This document shows that the person or business is still using the trademark. After that, the Affidavit of Use must be filed before the end of the 10-year registration period. The person or business also must pay a maintenance fee. A person or business must re-register their trademark every 10 years in order to maintain protection of the mark.²⁸

NOTE

You can see entries in the "Official Gazette" online at <http://tmog.uspto.gov/>.

NOTE

An **affidavit** is a written statement. A person signing an affidavit swears that it's true. The person signs the affidavit in front of a notary public or other official allowed by law to administer oaths and witness signatures.

Infringement and Remedies

Trademark infringement is a violation of a person's trademark rights. A trademark owner has the right to use the trademark in commerce in association with certain goods and services. This protection begins as soon as the owner starts using the trademark in commerce. If a trademark is registered under either federal or state law, then the owner of the trademark has certain other rights as well. Federal and state governments don't enforce trademarks. Instead, owners must enforce their own rights. They must sue people who violate their trademarks.

FYI

While this section discusses federal law, you should remember that many of these same types of trademark infringement actions also could be pursued in state court. Trademark owners may have additional types of tort actions that they can pursue in state court.

There are two main types of infringement cases. The first type of infringement case occurs when there's an infringing use of a similar trademark that's confusing or deceptive to the customer.²⁹ The second type of case occurs when use of a similar trademark dilutes the value of a famous trademark.³⁰

In the first type of case, a trademark owner can sue another person who uses a similar trademark in a way that is "likely to cause confusion, or to cause mistake, or to deceive."³¹ The owner can bring this infringement action for innocent infringement and for willful infringement. The plaintiff, who is the trademark owner, has the burden of proof. The plaintiff must prove the following elements:

- The plaintiff owns a valid trademark.
- The defendant used a similar trademark in commerce.
- The defendant's use of a similar trademark is likely to confuse consumers.

If a trademark owner has registered their trademark with the USPTO, that registration is proof of ownership of the trademark. A plaintiff can use the defendant's own advertising materials to show that the defendant used the trademark in commerce. A plaintiff also can use these materials to show that the defendant's use of the trademark was confusing in some way. The confusion created could exploit the plaintiff's goodwill in his or her trademarks and products. That is, the defendant is using a similar trademark in the hopes of selling more products because of the plaintiff's good commercial reputation.

NOTE

Examples of famous trademarks include the Apple Computers, Coca-Cola, and Kleenex trademarks. They are all registered. They're used extensively across the United States. Most people recognize these trademarks and the associated brand of products.

In reviewing whether a trademark is confusing, courts will compare the plaintiff and defendants' trademarks. They will look at how similar the marks are. They'll also look at the similarities between the goods and services that each trademark represents. They might also look at the defendant's intent in using a similar trademark. If the court finds the defendant's use of the trademark confusing, it can order the defendant to stop using the trademark.

The second type of trademark infringement case is for trademark dilution. This type of infringement case specifically applies to "famous" trademarks. Only holders of famous trademarks can file a lawsuit for trademark dilution. A famous trademark is one that is very well-known.

In a dilution case, the trademark owner can sue for any use of a similar trademark that dilutes or tarnishes their trademark. Dilution occurs when a trademark is used to promote different goods. An example would be Coca-Cola minivan or a Kleenex motorcycle. Customers wouldn't be confused by the different use of the famous trademark. However, the value of the famous trademark is diluted when it's used with dissimilar products.

The trademark owner also has a dilution case if the use of a similar trademark tarnishes a famous trademark. A trademark is tarnished when it's used in an unflattering light. For example, in 1996 the children's toy store, Toys "R" Us, sued an adult Web site with the domain name "adultsrus." The court held that the defendant's use of "adultsrus" to sell adult products diluted the "family" image and goodwill that Toys "R" Us had built in its products. The court ordered the defendants to stop using the "adultsrus" name.³²

Remedies in an infringement case include injunctive relief and damages. Trademark owners want the court to stop infringers from using their trademarks in a confusing or diluting way.³³ Trademark owners also may be able to get damages for the defendant's profits in using the trademark, their own damages, and costs of the litigation.³⁴

NOTE

In some instances, treble damages can be awarded if a defendant intentionally used the plaintiff's trademark.³⁵

Relationship of Trademarks on Domain Names

The rise of e-commerce has created some interesting questions about trademark use. Today, people take it almost as a given that www.coca-cola.com will take you to the Coca-Cola Company's Web site. Their domain name serves as their Internet business address. Many companies try to use their business name or trademark as their domain name.

A domain name includes a top-level domain. This is the *.com*, *.net*, or *.gov* at the end of the domain name. The second level is the information that comes directly to the left of *.com*, *.net*, or *.gov*. This is usually the place where a business or entity might want use its name or trademark. To do this, the entity must register their domain name.

A domain name is different from a uniform resource locator (URL). The domain name is only part of a URL. The complete URL is the actual Internet address. A URL goes into much more detail than a domain name, providing much more information, including the specific page address, folder name, machine name, and protocol language, such as <http://>.

Companies register their domain names and create Web sites. They do this to advertise and sell their products. They want their domain name to be recognizable to their customers. The first company to register a domain name has the right to use that name. Domain name registrars don't review a domain name to make sure that it doesn't infringe on a trademark. If a domain name is available for use, then they will accept a registration for that name.

In the mid to late 1990s, domain names were registered at a fast pace. Not all of these registrations were legitimate. *Cybersquatting* is the bad-faith registration of a domain name that's a registered trademark or trade name of another entity. A trade name is the

Registering a Domain Name

A domain name is the common name that people use to refer to their Web sites. It's the information after *www*. People register these names to grow their businesses and help others find their businesses on the Internet. Domain names are simply addresses on the Internet.

Domain names must be registered with the Internet Corporation for Assigned Names and Numbers (ICANN). ICANN coordinates the Internet's naming system. You can't directly register a domain name with ICANN. Instead, you must register it with a "domain name registrar." ICANN authorizes these registrars to accept domain name registrations. It creates policies for how these registrations should be handled.

ICANN and domain name registrars don't review whether a new domain name registration infringes upon a business or entity's trademark. Instead, they accept registrations for domain names on a first-come, first-served basis. Trademark laws and ICANN's Uniform Domain Name Dispute Resolution Policy are used to resolve domain name disputes regarding trademarks. You can view ICANN's dispute resolution materials at <http://www.icann.org/en/help/dispute-resolution>.

business name of an organization. Cybersquatters tried to register these names before the legitimate owners of the trademark or trade name. They also registered domain names based on these famous trademarks or trade names but used a common misspelling of those names.

NOTE

Bad faith means a malicious or harmful motive for taking a certain action.

A cybersquatter registers trademarks or trade names to profit off of the other person's trademark or trade name. They also register them in the hopes of selling the domain name to the trademark owner for large amounts of money. They also may register the trademark or trade name in order to attract customers who were looking for a specific product or business. The cybersquatter then redirects the customer to other Web sites.

Trademark owners have a legal right to protect their trademark. This includes protecting their trademarks from cybersquatters. Many people, businesses, and organizations were harmed by cybersquatters. They had to pay large amounts of money to get ownership of their trademarks. They sued cybersquatters to stop them from engaging in trademark infringement. This was a time-consuming and expensive process. Congress created the Anti-Cybersquatting Consumer Protection Act (ACPA) in 1999.³⁶ It was designed to stop people from registering domain names that were the trademarks of other entities. It allows entities to sue others for cybersquatting. To prove their case, the plaintiff must show that the cybersquatter registered the trademark in bad faith with intent to profit from the registration. Under the law, a plaintiff can recover damages and

ask the court to issue an injunction that stops the cyber-squatter from using the contested domain name. Courts also can award the contested domain name to the winning party.

Trademark owners also can pursue a domain name dispute under the Internet Corporation for Assigned Names and Numbers (ICANN) Uniform Domain Name Dispute Resolution Policy (UDRP). This process may be faster than pursuing an action under the ACPA. Under the UDRP, a contested domain name may be disconnected or transferred to a winning plaintiff.

Copyright

A **copyright** is an intellectual property right. The U.S. Constitution establishes federal copyright protection. The first federal copyright law was established in 1790. The most recent version of federal copyright law is the 1976 Copyright Act. Copyright is protected under federal law. States are preempted from creating their own copyright laws.

The holder of a copyright has the exclusive right to do anything with the copyrighted work. The holder is the only one who can reproduce, perform, or sell the work. Copyright holders also have the power to keep others from using their copyrighted material.

Almost anything can be copyrighted. In the digital realm, it's important for you to remember that most materials posted to the Internet are protected by copyright. Most informational and advertising materials posted on Web sites by businesses and organizations are subject to copyright. Blog posts and personal Web sites also are protected. When reposting information that you find on the Internet, you need to make sure that you don't violate the owner's copyright.

Sometimes copyrighted materials are marked with an uppercase "C" in an enclosed circle, or ©. The law doesn't require this. Even if material isn't marked, it may be copyrighted.

Copyright Basics

A copyright is used to protect almost any creative endeavor (called "a work"). It can be used to protect books, art, music, videos, computer programs, and any other creative work. Works that can be copyrighted include:

- **Literary works**—This includes novels, newspapers, textbooks, and computer software.
- **Musical works**—This includes songs, scores for musicals, and jingles.
- **Dramatic works**—This includes plays, skits, monologues. It can also include any music that might be included in the dramatic work.

NOTE

The World Intellectual Property Organization (WIPO) is an arbitrator under the UDRP. The WIPO reported that it heard a record number of domain name disputes in 2012.³⁷

NOTE

Federal law governs patent and copyright issues. State laws are preempted. This is because the Constitution granted the federal government the specific power to make laws to protect authors and inventors.