

Intellectual Property

# **OWNER'S MANUAL**





This is a booklet, not a lawyer (you can tell because it is much smaller and less expensive). This IP Owner's Manual is meant to provide an overview on areas relating to intellectual property protection that may arise in your business. The content of this booklet is not legal advice, but simply helpful information, accurate at the time of publication, which will hopefully make your interactions with your lawyer more effective and less expensive. Do not rely solely upon this, or any booklet or website, when you are making decisions about your valuable intellectual property rights. The dissemination and use of this booklet does not create an attorney client relationship between yourself and Harness Dickey. If you have any questions relating to the content of this booklet, or any intellectual property issue, you should contact a lawyer. For additional information and updates see [www.ipownersmanual.com](http://www.ipownersmanual.com).

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## Your Business Name

The name you adopt for your business – your trade name – must not be confusingly similar to a name already in use. If you are forming a business entity (a corporation, limited liability corporation, or partnership), your name must be different from any prior active, registered business name. If you are going to use your business name on your product or service, you should also conduct a trademark search to reduce the risk of an infringement or unfair competition claim.

You should consider the formation of an entity such as a corporation or limited liability corporation to limit your personal liability.

If the name that you are going to use publicly is different from your actual legal name, then you may need to register this “fictitious” name (or “doing business as” frequently abbreviated as

“d/b/a”) with the state or local authorities where you do business. Failure to register a fictitious name can result in civil and even criminal penalties. Information relating to this procedure may be found by contacting the appropriate licensing agency such as the Secretary of State’s Division of Corporations within your state.



## **Your Confidential Information**

There is no protection for your trade secrets and confidential information per se. However, if you take *reasonable* steps to protect the secrecy of your information, federal and state law will protect you from someone using *improper means* to acquire your confidential information.

What steps are reasonable depends upon the nature of the information and the circumstances, but typically include:

- Securing your information
- Securing your premises
- Confidentiality agreements with employees
- Confidentiality agreements with third parties
- Visitor registration
- Password protection
- Proprietary legends on documents

## ***Securing Your Information***

Access to the confidential information should be restricted. Physical copies should be marked “CONFIDENTIAL” and be kept in secure storage. Electronic copies should likewise be marked “CONFIDENTIAL,” and should be password protected. Disposal of these documents should be done in a secure manner such as by shredding or by contracting with a secure document disposal company.

## ***Securing Your Premises***

You should secure your premises – lock the door! Do not allow unaccompanied strangers into your facility, and restrict invited visitors to areas where they cannot access your confidential information. Keep a log of visitors, require visitors to sign in and out of your facility, and if your facility is large enough, have visitors wear badges so they can be readily recognized. Visitor agreements often include additional

terms, such as a limitation of liability for injuries that occur on your premises.

### ***Confidentiality Agreements with Employees***

Employees have a duty of loyalty to their employers, which generally includes a duty to maintain the secrecy of their employer's confidential information. However, written agreements are important to remind employees of their duty and to demonstrate to a court that you have taken reasonable steps to protect the confidentiality of your information. Such an agreement might require:

Employee agrees that during the term of employment and thereafter, the employee will not disclose the Company's information to others, or use the Company's confidential information for any purpose except for the benefit of the Company.

### ***Employee Education***

If you have more than a few employees, it is a good idea to conduct periodic training programs to remind employees of their obligations and to make sure that they understand what information you regard as confidential.

### ***Confidentiality Agreements with Third Parties***

You should not disclose your confidential information outside the Company without a confidentiality agreement. Even one unprotected disclosure could mean that the information is no longer confidential. Furthermore, even with a confidentiality agreement, you should not disclose your information to someone you don't trust – because the confidentiality agreement is simply a license to litigate, while your information is at risk.



You should not, however, default to a simple confidentiality agreement every time. For example, if you are working with a vendor or customer, additional terms, such as ownership of intellectual property, may be appropriate.

The most common type of agreement you will see in business is a confidentiality agreement. There are numerous forms in circulation, and no standardization. A good policy when dealing with a third party's form is to seek a mutual agreement. When the obligations are mutual, a party is less likely to overreach. Do not take unnecessary confidentiality obligations simply to simplify negotiations. When evaluating an agreement that you are presented with, you should consider at least the following points:

- Are the proper parties named in the agreement?

- Is the projected subject matter clear and adequate?
- Are there restrictions on what is covered (for example a requirement to confirm oral disclosures in writing)?
- Is there a clear obligation not to *disclose* the information?
- Is there a clear obligation not to *use* the information?
- Are any exceptions to the obligations reasonable?
- Is the duration of the obligations clear and adequate?
- Are the terms of the agreement clear and adequate?

Additional terms that might be appropriate:

- Is it clear how the agreement affects other agreements between the parties?

- Is it clear what law applies to the agreement? (This is particularly important if the agreement is with someone from outside the U.S.)
- Is it clear where any action to enforce the agreement can be brought, *e.g.*, which state and what court? (This is particularly important if the agreement is with someone from outside the U.S.).
- Is it appropriate to address export restrictions?
- Is it appropriate to include any disclaimers about the information?
- Is it appropriate to specify that no rights in the intellectual property and/or your business are conveyed in the disclosed information?

Don't assume that a confidentiality agreement is what you need merely because you need someone to keep information confidential. You may need another type of agreement dealing

with intellectual property, ownership, and other issues.

 **ATTENTION**

Make sure that a confidentiality agreement is what you need. If there is any chance that someone to whom you make a disclosure could develop relevant technology you may need some other type of agreement, such as a development agreement.

 **ATTENTION**

Don't disclose confidential information to third parties unless it is necessary. Don't disclose confidential information to someone you don't trust, even if you have a confidentiality agreement.

## Your Trademarks and Brands

### *Selecting A Mark*

The mark you adopt must not be confusingly similar to a mark that is already in use. Confusing similarity is based upon a number of factors, including the similarity of the marks, the similarity of goods and services on which the marks are used, the channels of trade in which the marks will be used, and the type of customers to whom the goods or services are sold. This similarity analysis is also known as “likelihood of confusion.” The mark you adopt also must not dilute an existing mark. A mark dilutes a prior mark when it tarnishes the image of the prior mark or blurs the distinctiveness of the prior mark.

Before adopting a mark you should consider conducting a search to make sure that there is no existing mark confusingly similar to your proposed mark. You can do some preliminary

searching for free on the United States Patent and Trademark Office’s website [www.uspto.gov](http://www.uspto.gov). You can also do some effective searching for unregistered marks on the internet. However, before investing significantly in a new mark, you should consider commissioning a professional search.



You should also endeavor to select a strong, immediately protectable mark. Marks are often classified into one of four broad categories: generic, descriptive, suggestive, and arbitrary or fanciful.

1. **Generic Marks:** Generic marks are not really marks at all, but the common descriptive term for the product or service. They are never protectable.
2. **Descriptive Marks:** Descriptive marks describe something about the product or service. These terms are not protectable at the outset, but it is possible that through extensive use a descriptive term can become recognized as a brand rather than as a mere description. When this has happened the descriptive mark is said to have acquired a “secondary” meaning, and will be protected.
3. **Suggestive Marks:** Suggestive marks are marks which suggest something about the goods or services but do not describe them. Suggestive marks are immediately protectable, and are the most popular because most businesses cannot resist picking a mark that says something about the product or service, while their lawyers insist that they avoid merely descriptive terms.
4. **Arbitrary or Fanciful Marks:** The last category of marks, arbitrary or fanciful marks, are marks that have no apparent connection to the product or service. These are the strongest marks because there is typically no reason why a competitor would need to use a mark similar to an arbitrary or fanciful mark, and the courts will protect the owner if they do.

### ***Protecting A Mark***

You build protectable rights in your trademarks by using them (use based rights are known as “common law” rights), but to have protection in areas where you have not yet used the marks, you should consider registering your marks.

The registration process begins by filing an application in the U.S. Patent and Trademark Office. The application is examined, any of the Examiner’s questions are addressed, and hopefully the application is allowed. The mark is published in the *Official Gazette* of the U.S. Patent and Trademark Office, and if no one opposes the application within 30 days from the date the mark is published, a registration will issue.

If the application was filed based upon an intention to use the mark, rather than actual use of the mark, a Notice of Allowance is issued

instead of a registration. You have six (6) months from the issuance of the Notice of Allowance to submit a Statement of Use proving that you have begun using the mark. You can obtain up to five 6-month extensions of time to file the Statement of Use. Upon the filing of an acceptable Statement of Use, a registration will issue.



#### **ATTENTION**

Pick a good, strong, protectable mark. Avoid a mark that describes your product or service. Search every mark and slogan before you use it.

### ***Maintaining A Mark***

You must continue to use a mark or risk losing it. Three years of non-use creates a presumption that you have abandoned it, making the registration vulnerable to cancellation by a third party.

After the registration issues, you have to file a Declaration of Use (called a Section 8 Affidavit) between the fifth anniversary and the sixth anniversary (or within a six-month grace period) to maintain the registration. At this time you can also file a second declaration of use (called a Section 15 Affidavit), indicating that the mark has been in continuous and exclusive use for at least five years, in order to make the registration incontestable, or immune from validity attacks. You also have to file a renewal application between the ninth and tenth anniversary of registration (or within a six-month grace period), and every ten years after that, to maintain the registration. The

registration can be renewed indefinitely as long as the mark remains in use.

### ***Using A Mark Properly – the ACID Test***

1. **Adjective:** A trademark identifies a particular kind (brand) of product, so a trademark should only be used as an adjective. This means that a mark generally should be used in conjunction with a generic term. The word “brand” can help, but usually is not necessary. Only use your mark as an adjective.

2. **Consistent:** Trademarks are more recognizable, and thus stronger, when they are used consistently, so a trademark should always be used in the same form. Present your mark in a consistent font, case, color, and punctuation.

3. **Identified:** Identify the mark as a mark. When a mark is registered for the particular product(s) and/or service(s) with which it is being used, use an ®; in all other cases use a ™. If you cannot mark every use, at least mark the most prominent use on each face of the package or page of text.

4. **Distinctive:** A trademark should be used distinctively so that it is recognized as a brand, and not perceived as a description or product designation. Use a distinctive size, color, or font so your mark stands out from normal text.

 **ATTENTION**

Use your marks properly. Remember the ACID Test of trademark use: Use the mark as an **A**djective, **C**onsistently, **I**dentify it, and use it **D**istinctively.

***Using A Mark Abroad***

Your trademark usage must comply with local law. Thus, you must be careful if/when exporting a product with a trademark identified with an ® to countries where the mark isn't registered. If your packaging and advertising are used in multiple countries, you may need to use the ™ symbol together with an explanatory footnote rather than risk mismarking your mark by using the ® symbol.

 **ATTENTION**

Use a ™ to identify your unregistered marks, and an ® to identify your registered marks. Register your marks as soon as possible.

### ***Using Another's Trademark***

You are allowed to use someone else's trademark (without their permission) to identify their product, provided that your use is (a) truthful and (b) does not cause confusion about the source of the product, or the ownership of the mark. If the context of use does not indicate the owner of the mark, then this information should be provided in a parenthetical or footnote, e.g., "Acme™ is the trademark of Acme Corp." or "ACME™ and APEX™ are the trademarks of their respective owners."

### ***Third Party Use of Your Mark***

You should maintain control over the use of your marks. This does not mean that you cannot allow other people to use your mark (suppliers, franchisees, partners). However, when you permit others to use your mark, you should do so in a written agreement. If you do not control the quality of the goods and services

with which your mark is used, you risk losing the mark. You should also consider requiring users to identify you as the owner of the mark. For example, "Acme™ is the trademark of Acme Corp., and is used by permission."





## **Your Copyright Rights**

Copyrights protect eight broad categories of works: literary works; musical works; dramatic works; pantomimes and choreographic works; pictorial, graphic and sculptural works; motion pictures and audiovisual works; sound recordings; and architectural works. Of these, literary works and graphic works are usually the most important to a business, as these include software, white papers, technical drawings and illustrations, presentations, websites, advertising and promotional materials, and packaging. Your works are automatically protected by copyright, when they are “fixed in tangible form.” While copyright arises automatically, there are two steps that will give you the broadest possible copyright rights.

The first step is to apply copyright notice to each copy of the work. Copyright notice consists of the © symbol, the name of the

copyright owner, and the year that the work was first published. For a work that was first published by the Acme Company in 2014, the notice would be:

© Acme Company 2014

The second step is to register the copyright with the Copyright Office. It takes about half an hour, and at the time of this printing, costs \$35 to electronically file a copyright application at <http://www.copyright.gov/>. While the copyright exists even if it has not been registered, registering the copyright gives the owner at least three important advantages. First, a registration is a prerequisite to bringing an infringement lawsuit. Second, if the copyright is registered before the infringement begins, the copyright owner is entitled to statutory damages – a minimum of \$750 up to a maximum of \$30,000 per infringement, which can be increased to \$150,000 if the infringement is

willful. Third, and perhaps most importantly, if the copyright is registered before the infringement begins, the copyright owner is entitled to recover its attorneys' fees. This reduces the accused infringer's incentive to defend an infringement action, and can promote prompter settlement.

### ***Copyright Rights***

Copyright rights give the owner the exclusive rights to do, or authorize the following: reproduce the copyrighted work; prepare derivative works based upon the copyrighted work; distribute copies or phone records of the copyrighted work to the public; publicly perform the work; publicly display the work; and perform the copyrighted work publicly by means of digital audio transmission (for sound recordings).



### **ATTENTION**

You have copyright rights in the works that you and your employees create. Protect those rights by applying copyright notice to the works (regardless whether you have a registration), and registering the copyright in important works.

### ***Copyright Term***

A copyright lasts for the life of the author(s) plus 70 years. For anonymous works, or works made for hire, the copyright lasts for the shorter of 95 years from publication or 120 years from creation.

Because of the long duration, and the fact that applying copyright notice is now optional, it can be difficult to determine whether or not a work is still protected by copyright. Generally works published before 1923, or works published

without copyright notice before 1978 are not protected by copyright.

### ***Securing Ownership***

Works prepared by employees in the scope of their employment are “works-made-for-hire” and belong to the employer. However, works prepared by non-employees, or works prepared by employees outside the scope of their employment, generally do not belong to the employer. Merely paying for a work is *not* enough to ensure that you are acquiring the intellectual property rights in the work. Whenever you engage a consultant or freelancer to create a work for you, you should have a written agreement that specifically transfers all rights in the work to you:

CONTRACTOR agrees that all right, title, and interest in any WORKS created in the course of the PROJECT, including all copyright rights therein, belong to COMPANY, and

CONTRACTOR agrees to assign, and hereby does assign, to COMPANY, the WORK, all intellectual property rights (including copyright rights) in the WORK, and the right to sue for any recovery for any past infringements thereof.

Obviously the agreement should contain additional provisions to ensure that you can secure and enforce your rights in any such works and maintain ownership rights post-employment.



### **ATTENTION**

You do not own the copyright merely because you pay someone to create it for you. When you hire others, make sure that you acquire all the rights that you need or may want in the future.

## Your Inventions

### *Patents Protect Inventions*

In the U.S., utility patents protect the way something works or how it is constructed. Utility patents protect four broad categories of inventions: products, machines, compositions, and processes. For a utility patent to issue, the invention must meet three requirements: the invention must have utility (be useful); be novel (be new); and be non-obvious (be more than an obvious variation of the prior patented inventions).

In the U.S., design patents protect the appearance of a product. The protection is limited to appearance only, and a design patent does not protect functional aspects of the design. For a design patent to issue, the design must meet two requirements: the design must be novel (be new); and be non-obvious (be more

than an obvious variation of prior patented designs).

A patent is not a license to make an invention, and obtaining a patent does not insure that the patentee can use his or her own invention. It is possible that the invention is an improvement of a prior invention that is still covered by a patent. In such a case the later patent is said to be “dominated” by the earlier patent, and the inventor cannot practice the invention without a license until the earlier patent expires.



### ***Patent Term***

A utility patent has a term (period of protection) running from its issue date until 20 years from its earliest effective non-provisional U.S. filing date, plus any patent term adjustments or extensions. If the actual filing date is before June 8, 1995, the patent term is the longer of 20 years from its earliest effective filing date, or 17 years from its issue date. In order to keep patent protection, maintenance fees must be paid at 3-½, 7-½ and 11-½ years from the patent issue date. The patent term may be shortened by a terminal disclaimer filed, or the failure to pay maintenance fees.

A design patent has a term of 15 years from issue (14 years for patents issuing on applications filed before December 2013). No maintenance fees are required. The term may be shortened by a terminal disclaimer.

### ***Provisional Patent Applications***

There are two types of utility patent applications: a provisional patent application and a regular utility patent application. A provisional patent application is an informal patent application that allows the inventor to secure a filing date without complying with the detailed regulations governing the form and content of a regular utility patent application. A provisional application is not examined, and expires after one year. Before the end of this year, the applicant must file a utility patent application claiming priority to the provisional application, or convert the provisional application to a utility application. Also, any foreign application filings must be completed before the end of this year. A provisional application allows an applicant to secure an early filing date, without starting the 20 year period for calculating the patent term.

### ***Publication***

Utility patent applications are usually published 18 months from their earliest effective filing date. Once the application is published, the entire file for the application, including all of the submissions, is available at the USPTO website: <http://portal.uspto.gov/pair/PublicPair>. A patent applicant can prevent publication of the application until issuance if the patent applicant requests non-publication at the time of filing, and agrees not to file any foreign patent applications on the subject matter (because these would be published).

### ***Provisional Patent Rights***

There is no liability for infringement until a patent actually issues. However, once the patent issues, the patent owner may be able to collect damages for infringements occurring between the publication of the application and the issuance of the patent, provided that: (1) the

patent owner puts the infringer on notice of infringement, and provides a copy of the patent owner's published application, and (2) the infringed claim in the issued patent is "substantially the same" as a claim in the published application.

### ***Deadline to File***

You must file your patent application before the invention is patented, described in a printed publication, or in public use, on sale or offered for sale, or otherwise available to the public. There is a one-year grace period for public disclosures made directly or indirectly by the inventor, or which come after such a public disclosure. However, because of the uncertainty in how these relatively new provisions will be interpreted, you generally should not disclose inventions outside your company until you have a filing date.

### ***Life In A First-to-File Patent System***

Since March 2013, the U.S. has operated in a first-to-file patent system. This means that it is important to apply for patent protection as soon as the invention has been developed. It also means that in contrast to the prior first-to-invent regime, an inventor must be more circumspect, and secure the earliest possible filing date and generally avoid any disclosure of the invention before a filing date is secured. It is possible that a disclosure could inspire a third party to file on a related invention, and that this filing could interfere with the patenting of your original invention.

If business considerations require a pre-filing disclosure of the invention to third parties, you should use a confidentiality agreement that specifically addresses recipient conduct that could interfere with subsequent patent filings.

#### **ATTENTION**

In a first-to-file patent system, avoid disclosures to third parties until you have secured a filing date.

### ***Record Keeping***

Many inventors hoped that the adoption of a first-to-file system would eliminate the need to keep inventor notebooks, because proving first invention was no longer important. However, the first-to-file system has not eliminated the need to keep invention records. It may be necessary to prove that the invention was not derived from another. Furthermore, an inventor should carefully document any pre-filing disclosures to third parties in order to be able to prove that pre-filing public disclosures were derived from the inventor.

## ***Ownership***

You should make sure that you have contracts in place with all employees and contractors to assign their inventions to you. You should also consider putting assignment language in your invention disclosure forms, so that the completion of the disclosure form confirms the assignment of any rights to the invention to you.



### **ATTENTION**

Make sure you have written agreements in place with your employees as well as any third parties who work on your inventions, to make sure that you own the patent rights.

## ***Patent Searching***

A patent search is not required for filing. Nevertheless, it is a good idea to do some searching to understand the prior art, and avoiding filing of an application that has no chance for success. Any material prior publication or patented invention (“prior art”) found in a search must be disclosed to the U.S. Patent and Trademark Office. Furthermore, while a patentability search is not a substitute for a freedom to practice search, it usually provides some helpful information about your freedom to practice the invention.

You can search U.S. patents on the U.S. Patent and Trademark Office website, [www.uspto.gov](http://www.uspto.gov). Full text searching is available for patents from 1976 to the present. Images of earlier patents are available and can be accessed by searching in the relevant patent classes and subclasses. Google Patent provides full text searching of all patents, but because its database is based upon



scanning, searching is not always reliable. Remember that any publication (not just a patent) can be prior art which could preclude your invention from issuing into a patent.

### ***Patent Application Process***

A patent application is a detailed written description of the invention, and of the manner and process of making and using the patented invention, in such full, clear, concise, and exact terms as to enable others to make and use it. Once the application is filed, it is assigned to one of more than 8,000 patent examiners for examination.

The Examiner reviews the application, conducts a search, and reports the results in an Office Action. It typically takes about 16 months to get the first Office Action. The applicant is entitled to respond to the Office Action (amending the claims, presenting arguments, or both) to obtain

allowance of at least one claim so that a patent will issue.

The interchange between the Examiner and the applicant (called the prosecution of the application) continues until the application is either allowed or finally rejected. If the application is allowed, a patent will issue upon payment of the Issue Fee. If the application is finally rejected, the applicant can continue to pursue a patent by appealing the final rejection, requesting continued examination, or filing a continuation or divisional patent application. The average pendency of a patent application is about 28 months (and in technically complex arts such as electrical and biotechnical arts, patent prosecution can take substantially longer than 28 months.) There are steps that can be taken to speed up the prosecution if time is of the essence.

### ***Patent Marking***

A patent owner can mark products that are the subject of a pending application “patent pending” or “pat. pend.” but there is no obligation to do so. A patent owner can mark products that are covered by an issued patent with the phrase “U.S. Pat.” and the patent number, and the failure to mark the product can limit the patent owner’s ability to collect damages from an infringer. Nevertheless, keeping patent markings current can be problematic. The law now allows for virtual patent marking, where the product (or the product package) can be marked with the word “patent” or the abbreviation “Pat.” and a uniform resource locator (“URL”) to a website that has current information about the patent coverage.



### **ATTENTION**

File early and file often. You can use a series of provisional patent applications to get filing dates on an on-going invention, and then within one year of the first provisional application, file a regular utility patent application, incorporating all of the provisional applications.

## **Infringement Issues**

### ***Trademark Infringement***

Infringement of a trademark is determined by evaluating whether a new mark is “confusingly similar” to a mark already registered. A number of factors go into the determination of confusing similarity, including the similarity of the marks, the similarity of the goods and services on which the marks are used, the channels of trade in which the marks are used (including how the product or services are advertised and the types of outlets where the products or services are sold), the overlap of customers or potential customers, and the type and sophistication of the customers. Even if there is no likelihood of confusion, a new mark may dilute the distinctiveness of a mark either by blurring its distinctiveness or tarnishing its reputation.

### ***Copyright Infringement***

Copyright infringement is determined by whether the alleged infringer copied protectable expression. Because alleged infringers rarely admit to copying, the copyright owner usually only has to prove that the alleged infringer had access to the copyrighted work, and that the accused work is substantially similar to the copyrighted work. The burden then shifts to the accused infringer to prove independent creation. Not all uses of a copyright work are infringements, and the law recognizes and excuses certain “fair” uses of a copyrighted work. Fair use is determined by considering four factors: (1) the purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for, or value of, the copyrighted work.

### ***Patent Infringement***

Infringement of a utility patent is determined by comparing the accused product or method with the claims of the patent. If the accused product or method meets each and every limitation of at least one claim, it literally infringes the patent. However, even if the accused product or method does not literally meet all the claim limitations, it may still infringe under the doctrine of equivalents if it is insubstantially different from at least one of the claims. The doctrine of equivalents prevents minor deviations from the wording of the claims from avoiding infringement, but it is limited by the doctrine of prosecution history estoppel — the doctrine of equivalents cannot recapture subject matter given up during prosecution in order to get the patent.

Determining infringement requires reading the claims, the specification of the patent, and the prosecution history (the Patent Office's file for

the application). Before embarking on such an investigation, one should first check the PAIR system on the USPTO website, [www.uspto.gov](http://www.uspto.gov), to make sure that the patent is still in force, and has not expired for failure to pay maintenance fees.

Infringement of a design patent is determined by comparing the accused product with the drawings in the design patent. If the resemblance is such that in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, then the design patent is infringed.

### ***Trade Secret Misappropriation***

There is no infringement of a trade secret. Instead the law is concerned with misappropriation: the use of improper means to acquire the trade secret. Breaching a confidentiality agreement or inducing someone

else to breach a confidentiality agreement, bribery, and theft, are examples of acts of misappropriation. However, discovering a trade secret by other than improper means is permitted. Thus independent discovery of the trade secret, or even reverse engineering of the trade secret from publicly available information, is not misappropriation.



### ***Enforcement***

The decision to enforce intellectual property rights should not be made lightly. There are a variety of enforcement costs including legal fees and costs of employee resources being diverted from the core mission of the business (e.g. assisting with infringement and validity issues and/or serving as a witness). In addition, the mere assertion of intellectual property may prompt the accused infringer to initiate a declaratory judgment litigation to declare that the asserted intellectual property is invalid or not infringed. Such a suit may be brought in a forum that is unfavorable to the intellectual property holder, and allows the accused infringer to be the party plaintiff, getting the advantage of going first and last in any trial. The assertion of intellectual property rights can also provoke litigation counterclaims for other, unrelated disputes between the parties.

The assertion of intellectual property rights also obligates the intellectual property owner to follow up or risk losing those rights through the doctrine of laches (an unreasonable delay in asserting rights) or the doctrine of estoppel (a failure to follow up that the accused infringer relies upon). Finally, in the internet connected world, the owner of intellectual property can expect that the assertion of rights will be publicized and judged by the public.

### ***The Cease-and-Desist Letter***

When you believe someone is infringing your rights, the knee-jerk reaction is to send a cease-and-desist letter. While this ultimately may be the correct strategy, there are a number of things that must be considered before the letter is sent. First, if you send a letter, you must be prepared to follow it up. Failure to follow up a cease-and-desist letter can bar subsequent enforcement under the doctrines of estoppel (reliance on the failure to enforce) or laches (an unreasonable

delay in enforcement). Another consideration is that the recipient of the letter might take the initiative and bring a declaratory judgment litigation challenging the validity of your rights, and whether those rights are infringed. This gives the accused infringer the chance to choose the forum (location) of the suit, and to position itself as the plaintiff, getting the first and last word at any trial. For these reasons, in some cases it makes sense to file suit before contacting the infringer. You should also consider what claims (related or not) the accused infringer might raise against you.

### ***Receipt of A Cease-and-Desist Letter***

Of course cease-and-desist letters operate in both directions. If you receive such a letter, you should immediately investigate the claim. You should not respond to a letter until you have an understanding of the validity of the asserted rights, and the legitimacy of the infringement claim. Continued infringement without

justification after receipt of notice of infringement may be regarded as willful infringement, possibly subjecting you to increased damages and attorneys' fees, so you should promptly satisfy yourself that the asserted rights are not valid or are not infringed before continuing. While an opinion of counsel is not absolutely essential, it can be very valuable in defending an allegation of willful infringement.



#### **ATTENTION**

Do not begin enforcing your rights unless you are prepared to see it through. Sending a cease-and-desist letter might cause the recipient to sue you, and if you do not follow up a cease-and-desist letter, you can actually be in a worse position than if you had never sent the letter in the first place.

#### ***Correspondence and Records***

While you should always be careful in your correspondence and record keeping, when it appears likely that there will be litigation, you must be doubly careful. Restrict email communication as much as possible. Telephone communication is preferred, because all written correspondence, even with counsel, may be disclosed to the opposing party and used against you. Your counsel will likely advise you to put a "litigation hold" on all physical and electronic files. Any loss or destruction of records from this point on, called "spoliation," can result in severe sanctions by a court, including but not limited to monetary fines and/or dismissal of your claims.

#### ***International Enforcement***

Our global economy gives rise to the possibility of foreign counterfeiters making products that might infringe your intellectual property. If counterfeit products are being imported into the

U.S. by foreign companies, state and/or federal courts may not have the ability to enforce your intellectual property and stop importation. Nevertheless, based on the type of your intellectual property rights, there are a couple of options you might consider in order to combat importation of counterfeit goods.

For copyrights and trademark infringement, consider registering your intellectual property with the U.S. Customs and Border Protection agency. Currently, this costs \$190 per intellectual property right (copyright registration or each class covered by a trademark registration) and the registration lasts ten years. <https://apps.cbp.gov/erecordations/>.

Once the intellectual property has been registered, when customs agents find something they suspect, they contact the registrant and provide information about the suspected counterfeit. If the registrant confirms that the shipment is not genuine, Customs will

seize the goods and forfeiture proceedings will be instituted. Further, registrants can give anonymous “tips” about suspected infringing goods and suppliers. For counterfeits that infringe your patent, consider filing a complaint with the International Trade Commission (“ITC”). An ITC Investigation is usually a formal adversarial proceeding similar to federal patent infringement litigation. Nevertheless, if successful, the ITC may enter an exclusion order which can be given to Customs to enforce in order to prevent counterfeit goods from entering the country.

For more information about preventing counterfeits see <http://www.stopfakes.gov/>



## Your Employees

Your business cannot grow without employees to help with the work, but hiring an employee presents a number of intellectual property issues. Employees generally have a duty of loyalty to their employer. However, it is unwise to rely upon this duty alone. You should have an employee agreement (not an employment agreement) to protect your intellectual property rights.



An agreement should address, for example:

- Ownership of inventions made by employees (be aware that there are state statutes that may apply).
- Authorization to file patent applications on employee inventions.
- Agreement to sign documents and take action to secure and enforce the Company's intellectual property.
- A power of attorney for the Company to execute documents if the employee is unavailable or unwilling.
- Ownership of copyrightable works.
- Protection of the Company's confidential information.
- A representation that the employee is free to accept the employment and is not in breach of any prior agreement.
- Non-competition during or after employment.
- Non-solicitation of co-employees.

- Access to the Company's computer system and data.
- Access to social media by or on behalf of the Company.

In addition, there are a number of standard contractual issues to address including:

- Specifying the remedies for breach, including an injunction.
- Providing for an award of attorney's fees in the event of breach.
- Restricting amendment of the agreement.
- Selecting the law that applies to the agreement.
- Selecting how and where the agreement can be enforced.

### **ATTENTION**

You should have an employee agreement (as opposed to an employment agreement) with each of your employees. An agreement will make sure that your employees understand your expectations, and give you the ability to ensure that they live up to them. You can reinforce this message with a clear set of policies.

### ***Departing Employees***

You should expect that at least some employees will leave. If you have an appropriate employee agreement, you will have minimized the negative impact on your intellectual property. However, it is a good idea to conduct an exit interview to remind the departing employee of his or her continuing obligations under the agreement. If the agreement provides for it, you can require the employee to disclose where he or she is

going, and if the agreement authorizes it, you may even be able to contact the new employer, to advise them of their new employee's obligations under the agreement. However, you should be careful when contacting the new employer of a former employee, because there could be a charge of tortious interference if the contact results in termination of the employment.

### ***Covenants Not-to-Compete***

Former employees are generally free to compete with their former employers. The law allows employers to restrict competition from former employees if the agreement is (1) necessary to protect customer contacts or trade secrets, and (2) appropriately limited in geographic scope and duration. Covenants not-to-compete are strictly construed *against the employer*, so they must be carefully prepared.

Even in the absence of a covenant not-to-compete, a court may prevent an employee from

working for a competitor under the inevitable disclosure doctrine if the former employer proves that disclosure of trade secret information during the course of the new employment is inevitable.

### ***Hiring Competitor's Employees***

There is nothing per se wrong with hiring the former employees of a competitor. However, you should make sure that the former employee has no contractual restrictions. You should also take steps to prevent the employee from disclosing the confidential information of the former employer. Assess whether inventions disclosed shortly after employment begins do not belong to the former employer.

#### **ATTENTION**

You may still be liable if an employee discloses confidential information of a prior employer. Make it clear to your employees that you do not want them to violate their obligations, and investigate your suspicions.

## **Your Consultants**

Whenever you seek help from the outside, your relationship should be governed by a written agreement. Merely because you pay for products or services does not mean that you own the underlying intellectual property rights, and without these rights you may not be able to commercialize your product or service.

Your agreement with a consultant should address issues including the following:

- Ownership of inventions made in the course of the project.
- Authorization to file patent applications on consultant inventions.
- Agreement to sign documents and take action to secure and enforce the Company's intellectual property.

- A power of attorney for the Company to execute documents if the consultant is unavailable or unwilling.
- Ownership of copyrightable works.
- Protection of the Company's confidential information.
- Restrictions on consultation for competitors.
- Non-solicitation of employees.
- Access to the Company's computer system and data.

In addition, there are a number of standard contractual issues to address like:

- Specifying the remedies for breach, including an injunction.
- Providing for an award of attorney's fees in the event of breach.
- Restricting amendment of the agreement.
- Selecting the law that applies to the agreement.
- Selecting how and where the agreement can be enforced.

## Your Computers and Data

There are federal and state laws, such as the Computer Fraud and Abuse Act (18 U.S.C. §1030) and similar state statutes that protect your computer system and data from tampering.

Key to liability under these statutes is whether the access to the computer was unauthorized. Usually, employees, contractors, and customers are authorized to access your computers. To obtain protection under these and similar statutes, you must make the limits of this access clear. In this regard, the following language may be helpful:

You are only authorized to access the computers and computer data of the Company during normal business hours, for the sole and exclusive benefit of the Company, and any other access or use of

the Company's computers and computer data is unauthorized, and expressly prohibited.

### **ATTENTION**

Address the use of your computers and data in an employee agreement, and in a clear set of policies, to protect these valuable assets, and give you the tools to address their misuse.

## Your Website

You should create terms of use for your website, particularly if you provide data or other information to customers via your site, or if customers or other members of the public can upload or post information to your website.

Make sure that you put copyright notice on your website, to help protect the site and the information and text that you post. Copyright notice consists of the © symbol, the name of the copyright owner, and the year that the work was first published. For example, Acme's website that was first published in 2013 might have:

© Acme Company 2013

This would be correct until a new version of the website is published, and the first publication date might be updated to reflect the original publication and the publication of the updates:

© Acme Company 2013, 2014

Make sure that you either own, or have permission to use, all of the material you post on your webpage.



### ATTENTION

Although it seems that no one ever reads them, you should create a set of website terms and conditions, particularly if you post information or allow transactions on your site.

## **Your Advertising/Packaging**

You should make sure that you either own, or have permission to use all of the text, images, and graphics that you use in your advertising and promotional material. If you hired outside copywriters, photographers and artists, you do not own the copyright rights, even if you paid these contractors. You can and should obtain an assignment of the copyright in such works. This assignment is important so that you can do whatever you want with the material, and so that the contractor does not license someone else, such as your competitor, to use the same material.

You should also mark all patented articles when possible; and when not possible, mark the packaging. The mark should include at least the designation of “U.S. Pat.” and the patent number. Virtual marking, such as on your website, is also possible.

You should put copyright notice on all items of advertising and promotional material, and register the copyright in at least the works that are particularly important to you.

You should carefully review your advertising, promotional materials, and packaging before you publish them, and consider at least the following:

- It contains no unsearched marks, taglines, or slogans.
- All marks are properly identified.
- All marks are used properly.
- Third party marks are used properly, and appropriate disclaimers made.
- Appropriate consents and permissions have been obtained.
- All claims for product function and performance have been vetted.
- Patent markings are correct.
- Make sure any warranties or guarantees are intentional.

## Your Email

An email often has a prominent role in a lawsuit where you are seeking to enforce your intellectual property or defending an allegation of infringement. You should assume that every email that you send or receive will be turned over to an opponent in litigation, and act accordingly:

- Keep business email professional.
  - Write as if your mother were reading over your shoulder.
  - Consider the purpose of the communication.
  - Consider the audience/recipients of the information.
  - Be factual. Where opinion is called for, identify it as opinion, and make sure that it is germane to the issues; do not give any opinion you are not qualified to give.
  - Do not make mean or demeaning references to others.
- Make your point, but avoid **extreme** emphasis!!!!
  - Keep business and personal messages separate.
  - Consider how your characterization of the Company and its activities would be perceived by an outsider.
  - Consider how the e-mail would look as an exhibit at a deposition or trial.

You should also remind your employees to be mindful of using the “reply all” feature to avoid sending information to unintended recipients. Further, don’t forward email chains unless you know the content of all the messages in the chain, and, that the intended recipient is entitled to receive forwarded information.

### **ATTENTION**

Send out periodic reminders to prevent your employees from slipping into bad email habits.



## Unsolicited Ideas

As your business becomes established, you may receive unsolicited ideas from third parties. The submitter may expect compensation if this unsolicited idea is used. Moreover, if your business contemporaneously develops the same or a similar idea, the third party submitter is not likely to believe it was an independent development. To protect your business from claims from these submitters, you should refuse to accept unsolicited submissions on a confidential basis, and require the submitter to execute a non-confidential review agreement before the submission will be reviewed or considered.

In general, you want the submitter to at least agree that:

- There is no confidential relationship between the parties.

- There is no obligation to compensate the submitter for use of the submission, unless the submitter has or subsequently obtains intellectual property rights that are infringed by the use.

If the submitter will not agree to these terms, receiving the submission is likely to cause you more trouble than it is worth.

### **ATTENTION**

Many businesses now address the problem of unsolicited ideas through an automated website which prevents submitters from making disclosures until they agree to terms and conditions that protect the business from frivolous claims.

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Harness Dickey is a full service intellectual property firm. We assist clients from the inception of an idea through obtaining legal protection and defending their rights through litigation. We have attorneys who are admitted to practice in front of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, numerous state and federal courts and the United States Supreme Court. We assist clients obtaining IP protection on a nationwide and international basis. Our attorneys prosecute patents as well as register trademarks and copyrights. Further, our litigation team has successfully represented clients in federal district courts across the country as well as the Court of Appeals for the Federal Circuit and the United States Supreme Court.

For more information on Harness Dickey, please visit our website at [www.hdp.com](http://www.hdp.com)

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