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The Business Owner's Guide to Intellectual Property Issues

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Online Resources

<http://www.uspto.gov> – United State Patent and Trademark Office (for patent and trademark registrations)

<http://www.copyright.gov/> - United State Copyright Office (copyright registrations)

<http://www.scc.virginia.gov/srf/bus/tmsm.aspx> - Virginia State Corporation Commission (trademark registrations)

<http://www.sos.state.md.us/OtherForms.aspx> - Maryland Secretary of State (trademark registrations)

<http://brc.dc.gov/planning/requirements/tradename.asp> - District of Columbia Business Resource Center (trade name registration; the District of Columbia does not register trademarks)

<http://www.eff.org> – Electronic Frontier Foundation (consumer digital rights)

<http://creativecommons.org> – Creative Commons (licensing digital works)

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vary depending on whether it was applied against the sale of the hardback as opposed to the paperback versions of the novel.

A's share of the subsidiary rights would likely be calculated as a percentage of the revenues which P receives when it licenses those rights to third parties.

When Will the Novel Be Published?

Generally, it will be solely up to P to make decisions about the time and manner of publication of the novel including how the book will be edited, its title and the paper stock used. It will be up to P to print, promote, advertise and set the price for the novel. As a counter measure, A can require that P publish the novel by a date certain after the agreement has been signed, possibly within two years, or else lose its rights in the work.

What Else?

This is just a sampling of the issues that are covered in a publishing agreement. Other noteworthy items include ownership of the copyright, representations, warranties and indemnities by A as to the originality of her work, manner of accounting for royalties, options on future works, and non-competition.

Preface

I have written this Guide to familiarize business owners and creators of intellectual property with the characteristics of the different forms of such property. It is apparent that in the current digital marketplace the intellectual property one uses or creates can add great financial value to a business – for example by way of more efficient operations or enhanced brand recognition. It goes without saying that the misuse of such property can cause a business considerable damage in the form of financial loss, delay and adverse publicity.

However, with a clearer understanding of what constitutes intellectual property and who owns it, the business owner, whether as a creator or user, will be in a better position to strengthen and protect her own intellectual property and avoid third party claims of infringement or misuse.

It is my expectation that at times I shall supplement this Guide with new material. To aid me in that process, I would appreciate hearing from any who have read and found this Guide of use and wish to suggest some other topics for me to cover. I may be reached at bberschler@presspotterlaw.com.

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What Are Primary and Subsidiary Rights?

Basically, primary rights are those which the publisher intends to exploit directly, and subsidiary rights are those which the publisher intends to license to third parties. Examples of subsidiary rights are the dramatization of the work, motion picture and television rights and commercial rights related to product merchandising.

What Is the Term of the Publishing Agreement?

Most often the term of the grant of the rights will last as long as the copyright lasts, *i.e.*, the life of the author plus 70 years. However, there will be built-in circumstances that can shorten the term for some or all of the rights involved. For example, the agreement can provide that P must publish the novel by a certain time period or the rights will revert to A. Also, embedded in the Copyright Act is the right of the author or her heirs to terminate the transfer of rights at a point between 35 and 40 years after signing the agreement or publication of the work, whichever date occurs first.

What Will “A” Be Paid?

Depending on her bargaining strength, A could receive an advance, a royalty based on P’s sales, and/or a share in the exploitation of the subsidiary rights.

The advance would be against future royalties. In a slightly different scenario, if A had still to write the book, she might receive part of the advance upon signing the agreement and the balance when the manuscript was accepted by P. Because for any number of reasons the book may not generate enough sales to cover any advance, P is not likely to agree easily to a generous advance without having a great deal of confidence in what A can deliver.

Book royalties are typically calculated based on the suggested retail price of the book or on the publisher’s net income. In either case, there will be allowances for returns and promotional and review copies. Royalties would not be paid until any advance had been repaid as well as any expenses that P charged A, such as an expense for the inclusion of art work. Moreover, the actual royalty paid could

What Is Involved in Publishing?

In the case of negotiating a publishing agreement, depending on whether you are the creator of the work or the publisher, you will have different goals and therefore different needs to be addressed in the contract. Likewise, whether you are able to achieve some or all of your objectives will depend upon your relative bargaining strength.

A typical publishing agreement will cover many issues. (If the project is big and if a large sum of money is to be paid by the publisher, you can expect the agreement to be even longer.) Here is a hypothetical case involving a person (“A”) who has written a novel and has found someone (“P”) willing to publish it. If A were an artist or photographer instead of a novelist, many of the issues would be similar.

What Rights Will “A” Grant?

One major clause will involve the “grant of rights.” Because A wrote the novel, she owns the copyright in it. In order for P to be able to perform any of the services which involve the “bundle of rights” owned by A (such as to print, publish, distribute and sell the novel), A must “grant” (*i.e.*, authorize) certain rights to P so that P can perform these tasks.

However, to make it worth P’s while, A will likely grant P “exclusive” publishing rights. The next question likely will be, over what territory will these exclusive rights extend? The publishing rights could be worldwide, or some smaller territory such as: the United States, North and South America, and the European Union. Similarly, the rights could extend to the English language version only or include translations into other languages. The bundle of rights can be further subdivided considering whether P will be authorized to publish in hard cover only, or in paperback, abridged form, as a sound recording or in electronic formats as well.

Copyright, Trademarks, Patents & Trade Secrets: An Overview

More and more, the words “copyright,” “trademarks,” “patents” and “trade secrets” come up in our daily lives. As a business owner, inventor or artist, you know that these words must have some relevance to your work, but may not know which form of intellectual property applies and when. Often mingled with these terms are other words, such as “ideas” and “fair use,” which can mean one thing in normal English and yet have another meaning when used in the context of copyright, trademark or patents. This article will give you a short primer on what each form of intellectual property is, what activity it covers and how each is distinguished from the other.

COPYRIGHT

What is copyright ?

“Copyright” refers to the exclusive rights that someone can acquire in a qualifying work. Copyright protection is referred to in the U.S. Constitution and is regulated by federal rather than state law, most especially, the Copyright Act of 1976, as amended. The general categories of subject matter which may be protected by copyright include: books, software, articles, compositions, plays, pantomimes, dances, paintings, drawings, sculpture, films, sound recordings, and buildings.

Under federal law the rights associated with copyright attach immediately upon the creation of an original work of authorship, such as an article, drawing, or song, which is fixed in a tangible medium of expression, meaning written down, photographed or recorded, provided certain minimum levels of originality exist in the work. The level of originality necessary for copyright protection to attach is minimal. However, for example creating a list of names in alphabetical order would not qualify.

What are the exclusive rights associated with copyright ownership?

The exclusive rights that a copyright owner controls for a limited period of time are the right to: reproduce the work, make derivative works based on the original work, distribute the work, perform and display the work in public. The reproduction right covers any form of copying of the work, such as photocopying or photographing it. The derivative right encompasses the creation of any other work incorporating the original, such as a novel being produced into a movie, or a painting being photographed for use in a calendar. The distribution right includes the sale and lease of the work. The performance and display rights apply to the kind of works that lend themselves to that kind of activity, such as a play or painting.

Despite these rights being labeled as “exclusive,” important limitations to the rights do apply. For example, once a book is sold, you, as the owner of the book, can resell it, lend it, give it away and destroy it. However, what you may not do is reproduce it. What you have acquired in buying the book is ownership of the particular copy, not the underlying copyright in the work. Another important limitation concerns performance and display rights. The copyright owner can only control the “public” performance or display of the work. Therefore, if you have purchased a painting, you may show it in your house, but you may not incorporate the work in advertising materials.

What can be used that is *not* protected by copyright?

Copyright protects the *expression* of an “idea.” What do I mean by the phrase “the expression of an idea”? It means the way in which you make your “idea” have a concrete form so that others can perceive it.

For example, you may have an idea about a storyline for a comic book. The idea of the underlying storyline (boy meets girl) is available for others to use. What they cannot do is copy your particular way of expressing that storyline. If you found that another person also published a comic book that used similar or identical phrases as those spoken by your characters or that the appearance

application to be used by a particular industry or profession, that developer should consider as part of the negotiation process not only the scope of work and what is being promised, but also the many intellectual property implications laying below the surface.

In today's economy, material incorporated in the software being used by businesses will include content that is protected by the laws of copyright, trademarks, patents, trade secrets, and other kinds of intellectual property such as the right of privacy and the right of publicity. Additionally, with the explosion in availability and popularity of open source software, a developer who incorporates such software into her programs must be clear about the restrictions that may be imposed by the licensor on the use of this free asset. Working with an attorney familiar with the issues surrounding software licensing can help the technology company client develop best practices as they write and incorporate code, so they successfully navigate the mine field of intellectual property and other business issues.

Special Software: Buy or Build It?

Because software plays an increasingly large role in the operations of most businesses, the issues involved with licensing the software are not only of interest to developers but also to commercial end users. Many small businesses depend upon software to perform basic business tasks, from serving the enterprise's own customers to running internal financial and personnel controls. The effective operation of these specially developed software applications can prove to be the difference between a business meeting its goals or losing out to a competitor.

Issues for the Business Owner

Unless the business is large and able to support its own software development, most likely the business will need to work with outside software engineers to create the right software program with the right features. The way most businesses acquire their computer technology is by means of a computer software agreement, also known as a licensing agreement. When acquiring software, here are some questions you should ask during the negotiation for the development, operation and maintenance of the software.

- What due diligence have you conducted with respect to the vendor/licensor?
- What exactly are the tasks the software is to perform?
- Is the scope of the license broad enough to cover all of your business' needs?
- What is the term and useful life of the software?
- How will the developer support and maintain the software application?
- How are the fees or royalties calculated?
- Is the software developer offering adequate warranties, indemnities and other protections?

Issues for the Developer

When a software engineer writes computer code or builds a website to meet the specific needs of a customer or creates a totally new

of their characters was very similar or identical to the drawings of your characters, then you might have a case for copyright infringement.

While copyright law alone will not protect a basic idea from anyone else using it, there are a number of ways that the various intellectual property laws can work together to protect the individuality of your product. In the case of the comic book example, there are several elements that go into the creation of the comic book, *i.e.*, the words spoken by the characters; the art used to show the characters; the design and packaging of the comic book. Each of these individual elements may on their own have copyright implications. Moreover, depending upon how else you use the characters, they may also be considered as trademarks. For example, think of "Mickey Mouse." The design and look of Mickey is protected by copyright. But his use as an indicator of a source of a product, like toys, gives Disney the added and more long lasting protection of trademark law.

In addition to not protecting an idea, copyright does not protect a procedure, system, method of operation, concept, principle or discovery. In the United States, you must look to patent or trade secret law for protection of this kind of intellectual property.

What is the public domain for purposes of copyright?

If a work is in the public domain, it is available for anyone to use. We see countless films based on the classical works by Shakespeare and Jane Austen. No one has to ask permission or pay a fee to create such a production. Likewise, people can develop derivative works based on public domain material without obtaining any permission. An example of that is the musical "West Side Story," which was based on "Romeo and Juliet."

In the context of copyright law, the public domain encompasses: facts, ideas, works for which copyright expired, works for which the owner has abandoned their copyright, and many federal government publications.

Other unprotected material includes individual words, names and short phrases or slogans. But these may be protected by trademark law, so be careful.

Who owns the copyright in a work?

Generally, ownership of the copyright in a work belongs to the human being who initially created the work. However, if the person is an employee when he or she created the work, most likely the employer will own the copyright. This situation is known as a "work made for hire."

What is a "work made for hire?"

A "work made for hire" is a special term defined in the Copyright Act. There are two possibilities. First is a work that is created by an employee within the scope of her employment. Second is a work that is specially commissioned and which falls within one of nine general categories specified in the law. These categories are: collective works, motion pictures or other audiovisual works, translations, compilations, supplementary works, instructional texts, tests, answers to a test and atlases. In the case of a commissioned work there must also be a written agreement between the author and the entity acknowledging that it is a work made for hire.

How long does copyright protection last?

All of the following time periods refer to works that were created on or after January 1, 1978. In the case of a work created by one human being, the copyright lasts for the life of the author plus 70 years. If more than one person was involved in the creation of a work, the copyright will last until the last of the creators has died plus 70 years. If the work is owned by a corporation because it was a "work made for hire," then the copyright exists for 95 years from its first publication, or 120 years from its first creation, whichever occurs first.

What must you do to get a copyright?

As the law now exists, you do not need to do anything special to have a work you create be protected by copyright because the attributes

who obtain access to open source software under the GPL are required to re-license the software under the *exact same* terms as the GPL.

Important requirements in the GPL are that the user must not charge for the further distribution of the underlying software and must also make the source code, including their additions, available to the downstream users. The GPL, which is maintained by the Free Software Foundation, has gone through two modifications; the most recent, version 3.0, was released on June 29, 2007. However, because much software has been released under the terms of the original GPL and due to its hereditary nature, its terms remain profoundly influential.

there may be limitations placed on its further distribution. But unlike proprietary software, the point of such requirements is to advance the philosophical point of view of the author rather than to seek an economic gain. This philosophical perspective grows from how the whole open source software movement began and has matured.

In the late 1980's some computer science academics working on computer operating systems believed it would be good to give access to the program's source code so that other software engineers could study, improve, debug, and make it more nimble. All of this access was provided free from any *monetary* payment by the user. As more and more source code was released on the Internet, some in the free software movement adopted the term "open source" to emphasize that the freedom being promoted was software freedom by readily giving access to the source code. However, open source did *not* (and still does not) mean free from all obligations, as the code was still protected under copyright and in some cases patent law.

The promoters of the open source movement decided it would be useful to clarify the underlying principles that would support the exchange between one software developer freely giving access to her source code and the circumstances under which another developer could make use of that code. By consensus, the open source promoters adopted an open source definition which identified the principles that must be incorporated in any qualified open source license. Any computer programmer wishing to release software source code must use a form of open source license that has been approved by the board of directors of the Open Source Initiative. With this stamp of approval for an open source license, others in the open source community are willing to use and work on the released software.

There are now numerous Open Source Initiative-approved open source licenses, but in the beginning there was just one, the General Public License (GPL). The intent of the drafters of the GPL, was to bring more and more software under the open source umbrella. This would be accomplished by the hereditary nature of the GPL. Those

of copyright attach as soon as the eligible work is fixed in any tangible medium of express, *i.e.* tape recording, original photograph, doodles, etc. However, in order to make your rights easier to establish, it would be wise to include a notice on the work that indicates you are asserting copyright protection. Frequently such a notice appears as follows: © + year of creation + name of the owner of the copyright (*e.g.* © 2009 Barbara I. Berschler). It would also be a good idea to register the work with the U.S. Copyright Office, located in Washington, D.C. If you register the work before an infringement occurs, you are allowed to seek attorney's fees and claim "statutory" damages, which may be easier to prove than actual damages.

What is fair use?

Often people want to incorporate material they find on the Internet. They think that since it is possible to copy and paste the material then it must be freely available. Even if they wonder about the legality of such action, they will justify their use by calling it a "fair use." But what does that term really mean under copyright law?

Do not suppose that just because material is readily available or you intend to use just a little, there will be no problems. The concept of "fair use" in copyright law is very specific. Before making use of someone else's work, it must pass four tests to avoid being considered copyright infringement.

1. If you will make money from the use of another's copyrighted work, you will fail test number one.
2. Are you borrowing from a highly creative work or a work filled with facts and data? If you are taking from the former as opposed to the latter, you could flunk the test.
3. Are you taking a great deal of material or just a sentence or small portion from a larger drawing? Even if it is a small fraction relative to the size of the entire work, if it turns out that what you took is the core of the work, you have crossed the line.
4. Will your work diminish the business opportunities of the owner of the work from whom you borrowed the material? If

they can demonstrate how they are losing money, again you are out of luck.

TRADEMARKS

What is a trademark or service mark?

The terms “trademark” and “service mark” refer to the indicator of a source of a product or service. This form of reference is a shorthand which the public perceives as identifying the originator of a product or service. Unlike copyright and patents, you can look to both state and federal law for trademark protection. Some states, like Maryland and Virginia, allow for trademark registration. Others, such as the District of Columbia, do not. However, much of the evolution of trademark law grew out of court rulings, which is also known as the “common law.”

In most cases, the way an indicator reaches the status of a trademark is through continued and systematic use in connection with the specific goods or services being promoted. You would be well advised to use whatever indicator you consider your trademark in as many ways as you can in association with your goods or services.

What is the difference between the symbols: TM, SM, and ®?

The “TM” stands for trademark and the “SM” stands for service mark. They indicate that the person is claiming a common law form of trademark protection. Only those who have obtained a registered trademark or service mark with the U.S. Patent and Trademark Office (USPTO) are allowed to use the “R” in a circle, which indicates that theirs is a federally registered trademark.

What does it mean to have a trademark or service mark?

If you have adopted a trademark, you acquire the exclusive right to use the mark in connection with your business.

How long does a trademark last?

As long as you continue to use the mark in connection with your business, then it can remain a valid mark. (There may be periodic

Some Differences Between Proprietary and Open Source Software and the Resulting Terms of Use

Because of the increasing demands for more and more software to be written given the explosion of computer driven services in our business operations, it is important to understand how that software comes to be created and what, if any, limitations to its use may accompany its acquisition.

Software is written by a programmer to operate a particular computer program. A business owner can either buy “off the shelf” software, like Microsoft Word or WordPerfect, or have some created for her special needs. What the business owner ends up with most likely is proprietary software. She pays for the use of the product and most likely is not given a version of the software to allow her to see “how it works.”

To know the inner workings of the software means to have access to the source code, in other words, the instructions that the programmer wrote which are later compiled into a format that the computer can understand.

As part of the evolutionary process of writing software, a major path has emerged called “open source software.” So what does that term mean? It is software written by programmers that can accomplish the same kinds of tasks as proprietary software. However, to be called open source software means that the circumstances under which it is obtained by the programmer or how it can be further distributed may be subject to a set of requirements that are different from the proprietary version.

While proprietary software is often obtained for a fee, it is used or distributed under a license, and, most likely, does not give the user access to the source code, by contrast, open source software is obtained for free and the user (programmer) gets to see exactly how the software was constructed because the source code is revealed. In addition, the user may freely modify and distribute the modified software. However, depending upon the originator of the software,

From the perspective of the licensee, one major concern is: Does the licensor really have all of the rights she claims to be granting? If she does not, and you nonetheless use the material, you could be guilty of infringing the intellectual property rights of a third party. To protect yourself from that kind of dilemma, you will want the licensor to make certain representations and warranties to you about the extent of her ownership in the rights she is licensing to you. You will also want the licensor to "indemnify, defend and hold you harmless." Such a phrase means that if a third party claimed it owned the intellectual property you were using without having obtained that third party's permission, you can look to the licensor to defend you from such a charge.

A second issue involves whether or not you gain ownership rights in any new intellectual property created by you in the course of the relationship with the licensor. For example, if you license the use of certain software and are able to make improvements to it, who will own the rights in those improvements?

A third issue to consider is the extent to which you may transfer the rights granted you under the license. This will be of prime importance if you want to sell your business or something happens to you and your interest in the business is transferred to another party.

Because a considerable amount of money may be involved with an intellectual property license and because the licensed rights are of great value to both the licensor and licensee, it is important to draft and examine carefully the underlining license agreement to be sure you get the full benefit of your bargain.

registration requirements to maintain a federal registration.) Even if you sell the rights to the mark, as long as it continues to be used in connection with the business, the mark can continue to exist. This differs from copyright and patent protection which have set periods of time and then the underlying protection is lost and the work becomes part of the public domain for anyone to use.

What can serve as a trademark?

Almost anything can be used as a trademark, as long as it does not become generic. Generic means the mark has come to describe the product or service. For example, the term "aspirin" was originally a trademark, but over time has become the main word to describe that particular type of medicine. Here are some examples showing the range of what can rise to the level of a trademark:

Words	Verizon or Comcast
Series of letters	NBC
Series of numbers	(Model number of a machine)
Picture	Sunmaid's girl with grapes
Design	Burberry's plaid
Symbol	Nike's swoosh
Sound	NBC chimes
Name	Dell (computers)
Nickname	VW Beetle
Color	Pink for insulation
Business Name	Long & Foster

What must you do to protect your mark?

Once you have a trademark, you want to protect it from other businesses using the mark which will confuse the public into thinking that they are going to you when in reality they are going to your competitor. As the mark owner it is your duty to "police" the mark. That means to stop others from using it without your permission and to see that proper quality is maintained for the underlying goods or services. Trademark law offers you ways to protect your rights.

What is the relationship between trademarks and copyright?

There is some overlap between the laws associated with trademarks and copyright. If a mark has some creative design element to it independent of its use as an indicator of goods or services, it may also qualify for copyright protection. Whoever designs your mark may own that copyright. Therefore, it is imperative to obtain from that person a written assignment of any rights she may have in the artwork she has created.

PATENTS

What is a patent?

A patent gives the owner of an invention the exclusive right to prevent others from importing, using, selling or offering it for sale in the United States. Even if another person arrives at the same idea for the invention independently of the first person who submitted the patent application with the USPTO, they will be guilty of patent infringement once the patent issues.

Like copyright, patents are referred to in the U.S. Constitution as one of the powers assigned to Congress to regulate. That being the case, patents are issued under and regulated exclusively by federal law.

What is the subject matter of patents?

There are three kinds of patents which may be issued by the USPTO. The most familiar kind is a utility patent which is issued for inventions that function in a unique way and have a useful purpose. The other types are design patents (*i.e.*, covering the unique, ornamental or visible shape given to a non-natural object) and plant patents (*i.e.*, covering plants that can be reproduced from grafts or cuttings.)

How long do the patent rights last?

Utility and plant patent rights last for 20 years from the date of filing the application. Design patents last for 14 years from the date they are issued. However, during the pendency period of the patent

not so much concerned about keeping a secret, but rather you wish to prevent people from making unauthorized copies of your work.

Second, know exactly with whom you are contracting. Is it an individual or an entity? If it is the latter, then the person signing on its behalf must have the legal authority to bind the entity and the means to ensure that the provisions of the license are enforced. If it is an individual signing, you want to make it clear within the license that she cannot let others use the rights in the property without your express written approval.

Third, understand what rights you wish to grant to the licensee. There are big differences in the rights granted in the following contract clauses:

“A world-wide right to distribute a novel”

versus

“The right to distribute a novel in English in the Continental United States.”

In the case of the latter grant of authority, the licensor has reserved the right to allow others to distribute the novel outside of the continental United States and even to allow others to distribute the novel in Spanish, for example, within the United States.

Another set of phrases demonstrating the importance of the words selected to describe the grant of rights is: the grant of “an exclusive license to copy certain materials” *versus* “a non-exclusive license to copy certain materials.” Note that in the case of an exclusive license, even you, as the author of the materials, would not be able to copy them, because the licensee would have the “exclusive” right to do so.

Additional issues a licensor should consider include: Will the licensee be able to sub-license the rights being granted? How will the licensor be paid, *i.e.*, by a royalty or a flat fee? How long will the license last?

Licensing Intellectual Property

In this day and age, most business owners come in contact with the licensing of intellectual property, such as trademarks, copyrightable materials, software, trade secrets, and patents. If you are the owner of the intellectual property, then as the "licensor" you have certain questions to answer before you license the use of your property to another. If you wish to use the intellectual property of someone else, then as the "licensee" you will have different questions to answer to assure yourself that you are making use of the property *legally*.

Of course in both instances, the questions to be asked can vary depending upon the type of intellectual property to be licensed. It is important to understand from the beginning that the term "to license" means that the licensee may legally use the rights associated with the intellectual property, provided she stays within the four corners of the license agreement. Otherwise, if she uses the intellectual property of another outside the scope of the license, she will be guilty of infringement, which can have very serious consequences.

However staying within the confines of the licensing agreement can be tricky. Even if you are using off-the-shelf software, it is important to understand that you do not actually own the software but only have a license to use it. And that license will limit the uses you can make of the product. A basic limitation that many businesses disregard concerns the number of computers on which the program may be installed.

While there are exceptions to the broad statement I made above, here are three significant issues from the perspective of the licensor. First, identify what is the intellectual property you wish to license. For example, since a trade secret is good only if it remains a "secret," it is critical that the license require the licensee to keep the secret and to put in place procedures so that the secret does not leak out. By contrast, to protect your rights in software or a painting, you are

application, the inventor has no patent rights. Therefore, the useful life of a patent can be shortened due to how long it may take before it is issued by the USPTO.

What is involved in getting a utility patent?

Obtaining a utility patent can be a long and potentially costly undertaking because the procedure is filled with many technicalities. In order to be patentable, the invention must pass a number of tests. It must fall within five statutory categories which are: processes or methods, machines, articles of manufacture, compositions or a "new use" of one of the above classes. In addition, the invention must be novel, not obvious, and useful. Only the inventor or attorneys who have qualified for special designation by the USPTO are eligible to file a patent application.

Is there any overlap between patent and copyright protection?

Because software programs may be eligible for protection under the law of both copyright (as a literary work) and patent (as a process), a business owner may choose one method of protection over the other for strategic reasons. Copyright registration can be fast and inexpensive, but its coverage is limited. Patent registration can be costly and time consuming, but its coverage is broad.

TRADE SECRETS

What is a trade secret?

In reality, most people do not come up with patentable ideas. Nevertheless, they may be able to protect their ideas if they treat them as trade secrets. A trade secret need not be original or unusual. To qualify all it need be is any information, design, device, process, composition, technique or formula which is not generally known and gives its owner a competitive edge.

As the term implies, business owners must keep the idea a secret. One of the best known examples of this is the formula for "Coca Cola." Unlike a utility patent which goes into the public domain for

anyone to use after 20 years, a trade secret can remain locked away as long as the secret is kept.

What law applies to trade secret protection?

For the most part, owners of trade secrets that have been misappropriated need to look to state law for enforcement of their rights.

How to acquire and maintain trade secrets?

As you operate your business, you are developing trade secrets whether they are your customer or supplier lists, special recipes, or techniques you employ. You need to identify what those special secrets are and then take reasonable steps to keep that information confidential.

One effective method of maintaining your trade secret is to have all who come in contact with it enter into an agreement beforehand in which they promise not to divulge the secret. This is called a “non-disclosure agreement.” If you consistently enforce the confidentiality of your trade secrets, then, if someone discloses secrets, you have a claim against that person for misappropriation and may be able to enjoin her from such activity and recover damages.

Conclusion

This is just a short introduction to the fascinating and extensive world of intellectual property law. The underlying concepts support important property rights which every business owner or creator of intellectual property should wish to protect.

- Will your use of the work lessen the chance that the copyright owner can make money from her work?

How you answer these questions will likely determine how much content you may use of someone else's copyrighted work for it to be considered a “fair use.”

Fair Use in Trademark Context

Trademark law also refers to “fair use” but its meaning of the phrase is quite different. The owner of a trademark has the exclusive right to use her mark in connection with her goods or services. If someone else were to use that mark without permission, the public could become confused as to who really was responsible for the goods or services they bought. However, as with copyright law, there are good reasons why the owner's rights should be limited.

Under certain circumstances, trademark law allows people to use the marks owned by another in their own advertising or promotional materials. Because marks are typically made up of words, if someone in good faith needs to use a word or phrase that happens to appear in someone else's mark to *describe* their own product or service, under the fair use doctrine, they are allowed to do so.

Notice that I italicized the word “describe.” This is because if you use a word or phrase that can be said to come from the trademark of another, you must be using it in a way to characterize your own goods or services, and not trading off of the good will of someone else's mark, which would be considered an infringement.

Here is an example of using a mark in an acceptable descriptive way. Let's suppose a famous shoe company adopts the mark “the Comfort Zone” which they use in relation to certain models of shoes. If a furniture company had an advertisement which referred to an area of a special chair as “having a comfort zone feature” such usage would be describing the area of the chair which offered extra comfort and would not be making any reference to the shoe company's product. This would likely qualify as a fair use.

Fair Use: Considering the Differences Between English and Legalese

You have probably heard references to the term "fair use." With all of the publicity about unauthorized copying of videos and music, the term is used by people asserting different positions to buttress their own case. But what does the phrase "fair use" really mean?

Well, if we are speaking ordinary English, it probably means a use that is not too little and not too much, but, as Goldilocks would say, "Is just right." However, that kind of understanding does not work in the legal worlds of copyrights or trademarks. So here is a primer on what the phrase means in each area and under what circumstances you may be able to make "fair use" of the materials.

Fair Use in Copyright Context

To own the copyright in a work means that you have exclusive rights over its use for an extended period of time. However, without some kinds of exceptions, no one could use any part of a copyright protected work unless they had the owner's permission. That would prevent many uses valuable to society such as criticism, news reporting, research, and teaching. From the beginning, courts built into the law of copyright the concept of "fair use." Congress later codified this legal limitation on the scope of a copyright owner's rights.

If you are considering downloading a song or using someone else's work as the basis for a work that you want to develop, ask yourself the following questions:

- Why are you using the copyrighted work?
- Will you get some economic benefit from what you borrow?
- Are you going to borrow from an artistic or inventive work or will the source be of a less creative nature?
- Will you be incorporating a small or large portion of the work?

Developing a Strong Trademark

A major goal of all business owners is to develop strong bonds with their customers in order to obtain repeat and referral business. One method of developing such a lasting relationship is to have an easy way for your customer to call you to mind.

What Is Your Brand?

It goes without saying that you have invested in the quality of the goods and services you offer your customers. However, in all likelihood, so have your competitors. Businesses must find ways to differentiate themselves from their competition. One important question to ask is: "What image do I project of my business which will make it easier for my customers to think of me when a particular need arises?" In general this is called "branding."

Some ways of creating your brand are to have distinctive advertising literature, catchy slogans and strong trademarks. All three of these vehicles can be used to set you apart from your competition. The following are some factors you can consider in order to select a strong trademark.

Use Your Creative Juices!

The starting point for identifying a strong mark is a willingness to use your creative energies. Based on your own experience, when you think of successful companies, probably their distinctive trademarks come to your mind.

How Do Major Companies Select Their Trademarks?

Prior to their adoption, much time, thought, and money were invested by the owners of the "Victoria's Secret," "Kodak," "Gilette," and "Travelers" marks. But what makes such marks powerful? It is that they do not directly describe the product or service being offered. In fact, as words, they may have nothing to do with the product or service being referenced. However, it is for that very reason, when a consumer sees or hears such a mark, she instinctively knows it is referring to the originator of the product or service.

The Strongest Marks Are Made-Up Words

Strong marks can be identified in a number of ways. This is where your creativity comes into play. At one end of the continuum of strength are marks that are formed from made-up words. If you really develop an effective made-up word, it would be hard for anyone else to claim that they too came up with the same word. That being the case, you will have more ammunition to go after a competitor, who just so happened to use your word in her advertising.

Other kinds of strong marks are those that are "arbitrary," "fanciful" or "suggestive." What is more arbitrary than making people think of computers before they think of a piece of fruit, when you say the word "Apple?" I would not be surprised if "Blackberry" did not take a page out of "Apple's" play book when it decided to choose a different piece of fruit to create its brand.

Suggestive and fanciful marks are the kinds of marks that give the consumer a gentle nudge to think of some quality or attribute of the service or product you are offering. Examples of such marks are: "Joy" and "Dove" for soap or "Sunrise" in connection with assisted living. In each case, the owners of the marks are suggesting, sometimes in a playful way, a special quality that they want the consumer to ascribe to their products.

Descriptive Marks Are Not Strong Marks

The least powerful mark is a descriptive mark. It is understandable that owners of new businesses want to make it easy for their prospective customer to know what they offer. However, even if you are able to get the mark registered by the United States Patent and Trademark Office (USPTO), it will provide more limited protection, because they may make you disclaim some of the words in your mark or there will be many other applicants with overlapping marks.

By way of example of how crowded the field could be, as of this writing, there are over 5,000 records listed with the USPTO incorporating the word "beauty." Another such overused word is

she owns the copyright in the logo's design. In that situation the only way you can own *both* the trademark and the copyright in the design is to have the designer *assign* that right to you in a written document. An assignment is a legal transfer of ownership from one person to another.

Website Creation

Consider this situation: you want to have a website for your business. You have hired an outside web designer to create your site. You will give the designer content, such as text and pictures, to incorporate in the site. As long as that content comes from you or your employees, you own the copyright in it, so that is fine.

However, as part of the creative process, the designer will create a "look and feel" for your site to incorporate the content. The designer will then own the copyright in those elements of the website. More than likely, the web designer will use the software of others to create that "look and feel." Because you do not have any contractual relationship with the designer's source of the software, you want to be sure that she has the legal authority to use the software to create your website and is authorized, if necessary, to sub-license it to you.

As you can see, there are a number of questions to be answered as to who actually owns the intellectual property that makes up your website. Similar to the previous example, an appropriate assignment of copyright and representations and warranties about authority to use software can resolve the uncertainty. But unless you know enough to ask the question, "Who owns the intellectual property?" you may not end up with what you intended or expected.

Who Owns Intellectual Property? Two Common Situations that Business Owners May Encounter

As a business owner, it is a good bet that you have your own intellectual property or you are making use of someone else's intellectual property. But what exactly is intellectual property?

It is a form of property that grows out of the creations of the human mind. Unlike real estate or personal property such as furniture, equipment or vehicles, it is intangible. Various bodies of law have been developed over the course of centuries to recognize and protect the valuable creations that are generally referred to as intellectual property.

The laws most frequently referred to come under the headings of copyright, trademarks and patents. But there are other forms that are important to businesses as well and those fall into the categories of trade secrets and proprietary information.

It is critical for you to know if you own or have the legal right to use the intellectual property that you are using in your business operations. Here are two common situations to ponder.

Selecting a Logo

Suppose you decide to have a logo designed to be a trademark for your business. As long as you use that logo as a mark in connection with your business, it meets the requirements of a trademark and you own it.

But wait a minute – who actually designed that logo? Was it an employee or was it an outside contractor? If it was created by your employee within the scope of her employment, then it is considered a work made for hire, and you, as the employer, not only own the mark but also the copyright in the design.

If a non-employee created it, then guess what? She owns the copyright in the design of that logo. So while you own the trademark,

"original," which has over 7,600 USPTO records with applicants incorporating that word into their mark.

Generic Marks Are Ineligible to Be Trademarks

Keep in mind, if a term is considered "generic" then it is ineligible to be used as a trademark for the particular goods or services it refers to. A generic term stands for the actual goods or services.

One example of how a trademark became a generic term that anyone could use is the word "thermos." When first adopted by the business owner, it was a made-up word. But overtime as people consistently used the word to refer to an insulated bottle and the mark owner did not enforce its exclusive rights, the word lost its trademark status. Now anyone can sell a thermos, they just need to come up with a trademark to differentiate their bottles from that of their competitors.

In our current environment the mark owners for "Xerox" and "Kleenex" must be careful that people do not refer to a photocopy or tissue by substituting their trademarked term for the item. If they do not police such usage, then like "aspirin," a mark can become a generic term that anyone can use with impunity.

Concluding Thoughts

By taking the time and looking beyond the first few ideas that come to mind when you are deciding on your trademark, you can select a more powerful symbol which will not only help to set you apart from your competitors, but also will create more underlying value for your business.

Protecting Your Trade Secrets

If you are in business, then you definitely have trade secrets, also referred to as proprietary or confidential information. What, if anything, are you doing to protect these valuable assets?

To answer that question, it is important to understand what kind of information can be considered a trade secret. There are two criteria to meet in order for the information to qualify as a trade secret. First, the information does not have to be anything unusual or "eye poppingly" original. Instead, it is the kind of information that you have accumulated, discovered, developed or generated in the course of operating your business *and* that is not generally known. Second, you *must take reasonable steps* to preserve the secrecy of the information.

In contrast to a patent which can give you exclusive rights for a limited period of time, and can be costly to obtain, there is no time limit on the life of a trade secret, *provided* you keep the secret. (Think of the formula for Coca-Cola, which goes on and on.) It also does not have to cost a great deal to preserve the secret.

To be protected by the law you must take so-called reasonable steps. First, identify what the information is that you wish to protect. Some examples of the kinds of information that can be your trade secrets are: customer and supplier lists, tax returns, business and marketing plans, software developed for you, internal procedures you have developed, recipes, techniques and systems you employ. However, be selective as to what information you consider important enough to protect. That will give you better control over the process of protecting your secrets.

Second, take precautions as to who actually will have access to the information. You may stamp "confidential" on the documents; have employees, consultants, and other third parties sign confidentiality agreements; lock away sensitive materials; protect computers with

fire-walls and passwords; limit access to those who "need to know" and consistently enforce your secrecy procedures.

Most states and the District of Columbia have statutes that address trade secret protection. You may have a claim against others who have *misappropriated* your trade secret. To misappropriate means that they either wrongfully acquired the information or disclosed it to a third party or used it without your permission.

You can see from this explanation why it is important to guard your trade secrets. If inadvertently you let the secret out, then it is in the public domain and others have the right to use it, provided they can show they obtained it lawfully.

If in fact there was misappropriation involved, the kinds of remedies you might seek could include an injunction from further disclosure, actual damages, a claim for unjust enrichment, the imposition of a reasonable royalty, punitive damages and possible attorneys' fees. However, there is a cautionary tale in all of this. If you bring an action against another in bad faith for misappropriation, you could find yourself paying the other party's attorneys' fees.