# *Protecting Your Intellectual Property: Basic Concepts*

## *Presented by the Indiana State Bar Association*[1]
## *Intellectual Property Section*

[1] Last updated February 2013, with thanks to Joel Tragesser, Elizabeth Shuster, Brad Maurer and Candace Hill.

**Intellectual Property**

*What is intellectual property?*

Intellectual property can be the technology that you invent, the art that you create, or the words and symbols that others rely on to identify you as the source of goods or services. It can be the product of intellect, creative effort, or simple usage, and it is recognized and rewarded, at least in part, to encourage the creation of more intellectual property. In many cases, intellectual property rights are the most valuable assets you own.

*Why are intellectual-property rights valuable?*

The creation of intellectual property may require a substantial investment of time, energy, and resources. The future use of that property could provide significant financial returns. Intellectual property rights protect that investment and return. By analogy, imagine that you have the opportunity to construct a building to meet housing demands in a city. Without the right to determine who can and cannot use your building, there may be little incentive to build. However, if you know that you have the right to offer the building at a profitable rate, you may have a reason to invest and build. Similarly, intellectual property rights provide incentives to invest in the creation of intellectual property. Intellectual property rights can have great value, just like owning a building if one has the right to control its use.

*How can I protect my intellectual property?*

Different laws protect different types of creative content. Broadly speaking, your intellectual property may be protected by four general legal categories: patent law, trade-secret law, copyright law, and trademark law.

- **Patent Law**

*What is a patent?*

A patent protects inventions but not ideas. It is relatively expensive and difficult to secure, but provides powerful security: a limited monopoly. A patent gives you the right to prevent others from making or using your invention and the exclusive right to license or sell your invention, if only for a limited time, in exchange for full disclosure of the invention. Many things are patentable, including machines, devices, and processes, even compositions, such as new compounds or chemical formulations. Moreover, there are three different types of patents. A utility patent protects products and processes. A design patent protects the way a product looks. A plant patent protects new and distinct plant varieties.

A patent grants a right to exclude, not a right to practice. For example, imagine that you invented a new type of windshield wiper, and that you were granted a patent. No one else can use the wiper that you invented. However, another entity has the patent on the basic windshield wiper. Although the other entity cannot use your development of their invention, they can keep you from "practicing" your invention. Because your new windshield wiper was based on prior technology, the basic windshield wiper, you need a license from the other entity before you can make your new windshield wiper or else you will have to wait for their patent to expire.

Whether or not a patent makes commercial sense is a difficult question worthy of professional counsel. Not only can patents be a valuable asset, and perhaps a useful bargaining chip, but patents can give credibility in the marketplace. However, a patent is only as good as the ability to police for its infringement. Moreover, a patent's limited duration means that, after a patent expires, your invention can be made and exploited by your competitors.

*What is required for an invention to be protected by a patent?*

To be patentable, the invention at the time of its creation must be useful, new, and not obvious to someone skilled in the area or art of the invention. In exchange for a patent, there is a duty to disclose the invention such that one of ordinary skill in the art can make or use it without undue experimentation. The duty to disclose allows others to improve on the technology and then to make and exploit the invention after the patent expires. It is the trade-off for a limited monopoly intended to balance the need to provide inventors an incentive to invent with the public's need for disclosure for the benefit of science, technology, and the public good.

Obtaining a patent first requires drafting a patent application. The patent application explains the background of the invention, provides detailed examples and drawings of how to make and use the invention, and defines the scope of the claims. Then, the application, and in particular, the claims, will be examined in light of prior art or patents. After the Patent Office examines the application, it will either allow or typically reject the application. Applicants can present arguments to overcome any rejections and pursue an appeal if the arguments or unsuccessful. The patent process may take many years before a patent is hopefully granted.

A provisional patent application may be filed instead of a utility or non-provisional application. Although a patent will never issue from a provisional application, it has a less expensive filing fee, fewer filing requirements, and affords an inventor a "patent pending" status while the inventor decides whether to file a full non-provisional application.

Generally, a patent application must be filed in each country in which protection is sought. This process can be very expensive, so it is important to identify the foreign markets in which you or your competitors will make or sell products and services.

*How is a patent infringed?*

A patent right is infringed by the unauthorized manufacture, use, or sale of a patented invention. Therefore, even if someone independently discovered a patented invention, a patent could prevent them from using the invention. To enforce your patent rights, you must sue, which can be very expensive. If a patent right is infringed, you can sue to stop the infringement and potentially recover monetary damages and attorney's fees. You cannot, however, enforce an application, but rather only an issued patent.

*Who owns the patent?*

Typically, the individual who is first to invent a patentable invention is the owner, absent circumstances such as a contractual obligation to assign the invention or where an employer owns the inventions of its employees. Inventor(s) have a year to file from the first of (1) a public disclosure or (2) a sale or offer to sell the invention. This grace period generally does not apply in foreign countries. However, as of March 16, 2013, a significant change in the law takes place. Instead of the first inventor being entitled to a patent, it will be the first inventor to file a patent application that is entitled to a patent. Also, the grace period associated with an offer for sale of the invention likely no longer applies.

Furthermore, in other countries, the first to file an application gets the patent, even if they were not the first to invent. It is important, then, to protect the confidentiality of your inventions and to adequately record their development. Always get legal counsel before dealing with outside parties, such as joint researchers, suppliers, or those interested in licensing, and be sure to control public disclosures, such as publications, scientific meetings, emails, or offers for sales.

*How long does a patent last?*

A patent lasts between fourteen and twenty years from the date of filing or grant depending on the type. For utility and plant patent applications filed before June 8, 1995, the patent lasts the longer of seventeen years from the patent grant date or twenty years from the filing date. For those filed on or after June 8, 1995, the patent lasts twenty years from the filing date. Design patents last fourteen years from the patent grant date.

- **Trade Secret Law**

*What is a trade secret?*

Generally, a trade secret is information, such as a formula, pattern, compilation, program, device, method, technique, or process that has economic value because it is unavailable and secret. Trade secret law protects much of the same subject matter as patent law, but it also extends to customer lists, marketing plans, and other proprietary business information. Many businesses rely on trade secret law rather than going to the expense of securing a patent. For example, some food and drink manufacturers (ex. Coca-Cola and KFC) lock their recipes in a vault and only a select few people have access to the entire recipe.

*What is required for material to be protected by trade secret laws?*

Generally, for information to be a trade secret, the owner must take reasonable steps to protect the secrecy of the information, and the information must have independent economic value, provide a competitive advantage, and not be generally known. Reasonable steps to protect secrecy might include marking materials as "confidential" or keeping them under lock-and-key. There are no registration requirements to qualify information as a trade secret.

*How is a trade secret violated?*

Trade secret law protects against theft or the wrongful misappropriation of your trade secret. Misappropriation may occur, for example, when someone who knows (or should know) that a trade secret was acquired improperly takes possession of the information or when the trade secret is disclosed without permission by someone who improperly learned about the information. For example, the breach of a contract that requires secrecy (ex. confidentiality agreement) could constitute trade secret misappropriation. However, the discovery of a trade secret through a proper process (ex. reverse engineering) is not prohibited

*Who owns the trade secret?*

The owner of a trade secret is often determined by contract, such as an employee agreement, and the employer often owns the information that is developed by employees. But absent a contract, non-employee developers may own the information that they develop while working.

*How long is a trade secret protected?*

One appeal of a trade secret is that it can last indefinitely so long as the information remains secret. But it must remain confidential—no disclosure is allowed. And keeping information confidential can be difficult so maintaining the legal status of a trade secret may be more complex than it appears. What appears secret to one person may not appear secret when presented to a court. Thus, legal counsel is always appropriate to determine the strategy for keeping crucial information protected.

- **Copyright Law**

*What is a copyright?*

As the word suggests, a "copyright" is the right to control the copying, distribution, display, and other use of an original creative "work." Copyright law is constantly changing and adapting to new avenues of communication (ex. the Internet) with the goal of encouraging creative effort by providing protections for works and the means to capture the value of works.

*What is required for a work to be protected by copyright?*

Copyright exists from the moment a work is created. However, a work must have original elements, in other words, elements not copied from prior existing material. The work must also exist in a fixed and tangible form. For example, a poem that exists only in the mind of its creator, without being written down, has not been "fixed" in a tangible form.

*How is a copyright infringed?*

To establish copyright infringement one must prove ownership of a valid copyright in the work and that protected elements of the work were copied. The basic test is whether the infringer had access to the work and the alleged copy is substantially similar to protected elements within the work. A work may be used without infringing the copyright if it is a "fair use." Application of the "fair use" exception is a highly fact specific and must be proved by the alleged infringer.

*Who owns the copyright?*

The individual who creates a work generally owns the copyright in the work as an author, unless the work is a "work made for hire," in which case the employer of the individual is considered the author. If a work is developed by two or more authors, there is joint authorship and all the authors own the work as a whole. A common misconception is that the purchaser of a physical copy of a work owns the copyright in the work. In reality, even if one contracts for the creation of a work (ex. artwork or photography), the author owns the copyright unless it is assigned. The requirements for and applicability of the "work made for hire" provisions in the Copyright Act can be complex. Legal counsel is advisable *before* contracting for a “work made for hire” to ensure its proper application.

*How long does a copyright last?*

Copyright lasts for the life of the author plus seventy years, or, if a legal entity is considered the "author" as a "work for hire," the copyright exists for ninety-five years after publication or 120 years from creation, whichever is shorter. Finally, certain works fixed in a tangible form may be considered part of the public domain and therefore not eligible for copyright protection. Generally, these are works for which the copyright term has ended or works of the U.S. government.

- **Trademarks**

*What is a trademark?*

A trademark is anything that identifies the source of goods or services and distinguishes them from the goods or services of others, such as a distinctive word, design, or even a sound or a smell. Names, designs and other trademarks are invaluable to a business because they symbolize to consumers the product's source and quality. Providing legal protection for trademarks preserves consumer expectations and prevents others from wrongfully benefitting from the goodwill of your business. If consumers cannot rely on a trademark as indicating the source and quality of your goods or services, such as where the same trademark appears on similar products from other businesses, then the trademark loses protection under the law.

*What is required for something to be protected as a trademark?*

Trademark rights are automatically obtained through the use of a word, design, or other designation, on or in connection with goods or services, that consumers recognize as indicating source and quality. Trademark rights are tied to the geographic extent of use, although nationwide trademark rights can be acquired by registering a mark with the United States Patent and Trademark Office. Trademark "strength" can vary depending on the nature of a mark you might select. For example, one may start with an inherently strong trademark that is fanciful (Xerox for copiers, a coined word), or arbitrary (Apple for computers, an existing word used in an incongruous manner), to the inherently weaker suggestive (Coppertone for tanning cream, suggesting a feature of the goods) and the descriptive (Split Flow for pumps, describing a feature of goods), or to the ultimately unprotected generic (aspirin).

Whether a particular word, design, or other designation can be protected as trademark often requires consultation with an intellectual property attorney. An attorney often assists with conducting a search for third party trademarks in order to reduce the risk of creating conflict and a likelihood of consumer confusion. Considerations in the analysis include the similarity of goods and services as well as the similarity of the marks themselves.

After determining a mark is available for use and protectable as a trademark, consideration should be given to registering a trademark. In many major countries the first entity to file a trademark application are granted the trademark registration. In those countries, registration is strongly advisable as a third party could otherwise register your mark. While unregistered marks are protected in the United States, registration is still strongly encouraged because it provides additional benefits such nationwide rights that are not dependant on the geographic extent of actual usage. Once registered, the correct notice of registration should be used in close association with the mark by placing the symbol ® (for registered marks) or TM (for unregistered marks), as the failure to give proper notice can bar the recovery of lost profits or actual monetary damages.

*How is a trademark infringed?*

To establish trademark infringement, you must prove that another used a trademark in connection with the sale, distribution, or advertising of goods or services, and that use of that mark with those goods or services creates a likelihood of confusion among consumers with respect to the source, affiliation or sponsorship of the goods or services. Considerations such as the similarity of the marks and goods or services at issue, the sophistication of consumers, the distribution and marketing channels involved, and the intent of the alleged infringer, are all potentially important.

*Who owns the trademark?*

In the United States, the first to use a mark is typically the owner of the mark in those geographic areas of where the mark is used. However, in countries following a first-to-file approach, the first to file for registration of a mark will typically own the mark.

*How long does a trademark last?*

Trademark rights can potentially last forever depending on actual usage and registration considerations. The key is that the trademark must continue to distinguish the source of goods or services. If a trademark is viewed by consumers as the name of a product itself, protection is lost because the trademark has become generic. For example, "escalator" no longer distinguishes the source of a moving staircase product but rather now generically identifies all moving staircases.