

Basic IP Law for Start-Ups

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Start-Up: Jack & Jill Gelato

- Start a gelato store called “Gelato on J-Square”;
- Sell custom-made gelato with secret family recipe;
- Develop social media app where customers can order from anywhere at any time. Customers can order on the way there, waiting in line or sitting at a table via an app on their smartphone or on an in-store tablet;
- After ordering, customers get a receipt and an estimated time for picking up their order;
- Store is designed like an Italian public square and exhibits paintings from local artists for sale.



Question: What types of intellectual property protection can Jack and Jill secure to prevent others from stealing their cool ideas?



Basic Concepts in IP

Jack and Jill cannot (1) trademark, (2) copyright or (3) patent the concept of their gelato store or any of their business ideas about their gelato store, however they can obtain intellectual property protection for certain implementations or applications of those ideas.

At the end of this presentation, you should be able to identify the types of IP protection Jack and Jill can obtain.



Background Principles: RP v. IP

- Real Property:
 - Tangible (Stealing usually means “taking”);
 - Economics: value generally based on the law of supply and demand, particularly the concept of scarcity; and
 - Emphasis more on prevention than enforcement.
- Intellectual Property:
 - Intangible (Stealing usually means “copying”; except in patent where infringement can also mean “using”);
 - Economics: value is not based on supply because supply is unlimited; instead value is based on many factors, including:
 - Goodwill;
 - Value creation (usually efficiency and optimization processes); and
 - Availability of substitute goods or services.
 - Some prevention but mainly monitor and enforcement.



Intellectual Property Rights

- Legal monopolies for exclusive right to use and exclude others from making, copying, using, selling, etc.
- While different than RP, IP is treated like RP under the law:
 - Sell, Assign and License.
- Enforcement through the court system:
 - Damages and loss profits;
 - Statutory damages and attorney's fees;
 - Injunctions;
 - Impoundment and destruction; and
 - Criminal penalties.



Intellectual Property

- What are the different types of intellectual property?
- How do we get each type?



Trademark

- A trademark is a word, symbol, device, or other designation that serves to identify the source of goods or services (simply called a “mark”).
- You get a trademark by actively using the mark in commerce and in connection with goods or services.
- While registration with the state or the United States Patent & Trademark Office (USPTO) is not necessary, registration with the USPTO provides a lot of benefits:
 - Presumption of validity;
 - Federal jurisdiction;
 - Constructive notice;
 - Basis for registration in foreign countries;
 - Registering with Customs; and
 - Use of symbol ®.



2011 BrandZ Top 100 Most Valuable Global Brands by Millward Brown Optimor

#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010	#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010
1		153,285	84%	26		24,312	23%
2		111,498	-2%	27		24,198	11%
3		100,849	17%	28		22,587	-4%
4		81,016	23%	29		22,555	141%
5		78,243	2%	30		22,425	3%
6		73,752	8%	31		21,834	-15%
7		69,916	N/A	32		19,782	-4%
8		67,522	18%	33		19,542	N/A
9		57,326	9%	34		19,350	11%
10		50,318	12%	35		19,102	246%
11		44,440	1%	36		17,597	N/A
12		43,647	-2%	37		17,530	-20%
13		42,828	N/A	38		17,290	15%
14		37,628	37%	39		17,182	3%
15		37,277	-5%	40		17,115	23%
16		36,876	97%	41		16,973	10%
17		35,737	35%	42		16,931	19%
18		35,404	-11%	43		16,909	N/A
19		29,774	N/A	44		16,314	-2%
20		28,553	15%	45		15,952	0%
21		27,249	N/A	46		15,719	11%
22		26,948	9%	47		15,674	17%
23		26,078	7%	48		15,449	19%
24		25,524	22%	49		15,427	5%
25		24,623	-20%	50		15,344	12%

#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010	#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010
51		15,168	0%	76		11,558	7%
52		15,131	N/A	77		11,363	-37%
53		14,900	3%	78		11,291	-19%
54		14,306	19%	79		11,147	-37%
55		14,258	0%	80		10,883	12%
56		14,182	-1%	81		10,735	-28%
57		13,917	10%	82		10,731	15%
58		13,904	-2%	83		10,540	N/A
59		13,754	-8%	84		10,525	26%
60		13,543	16%	85		10,443	19%
61		13,421	39%	86		10,335	15%
62		13,006	7%	87		10,076	N/A
63		12,931	1%	88		10,072	17%
64		12,542	-27%	89		9,877	10%
65		12,471	3%	90		9,600	29%
66		12,413	3%	91		9,587	N/A
67		12,160	7%	92		9,358	-43%
68		12,083	-3%	93		9,263	4%
69		12,033	45%	94		9,251	6%
70		11,998	29%	95		8,838	21%
71		11,917	41%	96		8,760	4%
72		11,901	40%	97		8,668	5%
73		11,759	25%	98		8,600	15%
74		11,694	N/A	99		8,535	N/A
75		11,609	N/A	100		8,439	-9%



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Trademark Strength: Distinctiveness

- Coined/fanciful terms (Microsoft and Verizon).
- Arbitrary (Apple and Google).
- Suggestive (Victoria's Secret and Prudential).
- Descriptive (Pizza Hut and Bed, Bath and Beyond).
- Secondary meaning:
 - Apple for Computers and Amazon for Internet Retailer; and
 - Surname: McDonald's and Disney.
- Generic words cannot become trademarks: "App" for application cannot be a trademark, but there is a live dispute whether "App Store" can be a trademark. Apple v. Amazon.



Trade Dress

- Similar to Trademark:
 - But instead of a mark, trade dress requires a distinctive “look and feel” or overall image used in commerce and in connection with goods or services.
 - Distinctiveness must be acquired by secondary meaning when constant use creates an association between the trade dress and the source in the public’s mind.
 - Examples, the look and feel of:
 - Apple Store;
 - Abercrombie & Fitch Store;
 - TGI Fridays Restaurant; and
 - Tiffany’s.



Trademark Infringement

- Must prove:
 - Use in commerce of...
 - a reproduction/counterfeit/copy of a mark that...
 - is likely to cause confusion, or cause mistake to deceive
 - as to the source or origin of the goods or services.
- Harm:
 - Diversion of sales; and
 - Damage to goodwill (i.e., lower quality counterfeit goods).



Trade Secrets

The Uniform Trade Secrets Act ("UTSA") defines a trade secret as:

- information, including a formula, pattern, compilation, program, device, method, technique, or process,
- that derives **independent economic value**, actual or potential, from **not being generally known** to or **readily ascertainable** through appropriate means by other persons who might obtain economic value from its disclosure or use; and
- is the subject of **efforts that are reasonable** under the circumstances to **maintain its secrecy**.
- Note: a trade secret is a special form of proprietary, confidential information.



Protecting Trade Secrets

Owner must take reasonable steps to maintain its secrecy by employing:

- Technology practices:
 - High security procedures;
 - Security system testing, i.e., white-hacking; and
 - Encryption, obfuscation and passwords.
- Business practices:
 - Thorough hiring process of trustworthy employees;
 - Thorough interview process with trustworthy business partners;
 - Compartmentalize confidential information;
 - Stamping documents and materials as “confidential”; and
 - Share confidential information on a need-to-know basis.
- Legal practices:
 - Confidentiality agreements with employees and business partners; and
 - Regular reminders to employees regarding confidentiality obligations.



Trade Secrets Examples

- Famous Trade Secrets:
 - Coca-Cola's Coke Formula; and
 - Colonel Sander's Original Recipe.
- Almost all trade secrets are not famous but helps the trade secret owner be more competitive through:
 - Saving time or costs; and
 - Producing higher quality or more unique products or services.
- Trade secrets take usually take the form of:
 - Business plans, methods, processes, design, formula;
 - Studies, analyses, research notebooks;
 - Marketing and advertising launches and plans;
 - Financial and sales data, forecasts, projections;
 - Customer and personnel lists (many cases have considered this information more like proprietary information and not a trade secret);
 - Strategic opportunities;
 - Etc.



Trade Secrets

- Recourse against misappropriation (acquisition or use) of the “trade secret” by **improper means**.
 - Improperly acquiring the information
 - “[T]heft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.” Uniform Trade Secrets Act.
 - Improperly using the information
 - Employee obtains secret legally but uses that information for personal gain; or
 - Knowingly using a trade secret that was negligently or accidentally disclosed (Example, finding prototype of the next iPhone in a bar).
- No recourse against those who discover the secret by **proper means**:
 - Reverse engineering;
 - Independent discovery or observation, i.e., putting 2+2 together from public information; or
 - Obtaining information from someone not obligated or no longer obligated to keep secret:
 - Former employee whose non-compete, confidential agreement has expired (usually in force for between 1-5 years) and where the agreement covers trade secrets; or
 - Learning from a mutual business partner or customer whose has no confidentiality agreement with trade secret owner.



Copyright

- Copyright is **automatic** and registration is voluntary.
- Protection is provided to an author of
 - “original works of authorship,” including literary, dramatic, musical, artistic, and certain other intellectual works; and
 - Is fixed in tangible form of expression.
- You cannot copyright facts or information but can copyright the form of expression of those facts or information. For example:
 - You cannot copyright facts in a news article, but you can copyright the form of expression, i.e., style and organization, of the news article.
- Protection is life of the author plus 70 years.



Copyright Registration

- Registration with the U.S. Copyright Office is not required but has benefits:
 - Registration establishes a public record;
 - Necessary for bringing a lawsuit;
 - If registration is made within three months of publication, owner is entitled to statutory damages (\$300-\$150,000 per infringed work) and attorney's fees. Otherwise, only actual damages and loss profits; and
 - Registration with the U.S. Customs Office to prevent importation of copies.



Copyright Owner's Exclusive Right

- The Copyright Owner has
 1. the right to do; and
 2. the right authorize or exclude others from doing the following:
 - To make copies of the work;
 - To distribute copies of the work to the public by sale, transfer of ownership, rental, lease, or lending;
 - To prepare derivative works, for example:
 - Adapting a book for to movie;
 - Creating sequels; and
 - Jazzing up a song.
 - To perform the work publicly; and
 - To display the work publicly.



Copyright Infringement

1. Ownership of a valid copyright, and
2. Actionable copying by the defendant of constituent elements of the work that are original by sustaining the burden of
 - a. direct proof of copying (for example, illegal downloads); or
 - b. circumstantial proof of copying
 - i. access and probative similarity; or
 - ii. striking similarity.



Copyright Defense: Fair Use

- Copyright law allows some limited use of copyrighted material without permission from owner under the doctrine of fair use.
- Courts consider the following four factors to determine if fair use is applicable:
 1. The “purpose and character” of the use;
 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.
- Examples of fair use:
 - quotation of excerpts or short passages in a review or criticism for purposes of illustration or comment or in a scholarly or technical work, for illustration or clarification of the author’s observations;
 - use in a parody of some of the content of the work parodied;
 - summary of an address or article, with brief quotations, in a news report;
 - reproduction by a teacher or student of a small part of a work to illustrate a lesson; and
 - incidental and fortuitous reproduction, in a newsreel or broadcast, of a work located in the scene of an event being reported.



Patent

- An intellectual property right granted by the U.S. Government to an inventor:
 - “**to exclude** others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States”;
 - for a period of 20 years from date of application;
 - in exchange for public disclosure of the invention when the patent is published or granted.
- A patent is **not a right to use or practice** the invention.
 - In the real world, there are many inventive ways to do the same thing. If someone else also has a patent on your invention, they can prevent you from making the invention. Your patent does not give you the right to make the invention but only to exclude others.
- Patent protection is stronger than Trademark & Copyright:
 - If competitor’s accused product is substantially similar, patent owner can stop competitor from using the infringing product.
 - No fair use defense (medical exceptions); every use is an infringing use.
 - No need to prove confusion (TM) or copying (C).



Three Patent Types:

- **Utility patents** may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement.
- **Design patents** may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture; and
- **Plant patents** may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.



Utility Patent

Patent Requirements:

- **Utility** (35 U.S.C. § 101):
 - “[A]ny new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement. . .”.
 - Does what it intends to do
- **Novelty** (35 U.S.C. § 102), No patent if invention was:
 - Described in a single prior art reference;
 - In public use by inventor or someone else for more than 1 year before application; or
 - Invented by someone else who abandoned, suppressed or concealed the invention.
- **Non-obviousness** (35 U.S.C. § 102), No patent if:
 - The difference between invention and a combination of prior art references are obvious to someone who is skilled in that particular industry.
- **Full and Particular Description** (35 U.S.C. § 112):
 - Written description; and
 - Best mode.



Patent Application

- Any inventor can apply for a patent without legal representation;
- But because application process is complicated, a patent attorney or agent is very useful.
- The inventor should:
 - Describe the best way of using the invention in words (and may include diagrams) so when the patent is granted, other people in the inventor's industry can read the patent and know how to use the invention; and
 - File application with the USPTO.



Patent Infringement



- All elements rule or all limitation rule of a claim:
 - Either literally or
 - By equivalents.
- Example, suppose you own the patent for post-it notes which has only two elements in its claim:
 1. Paper with a
 2. Strip of low-grade glue on one side of the paper.
- If accused product has both elements, then the product infringes.

United States Patent [19] **Patent Number:** 4,768,810
Mertens [45] **Date of Patent:** Sep. 6, 1988

[54] **FANFOLDED TABLET OF A WEB WHICH IS SEPARABLE INTO SHEETS EACH BEARING A PRESSURE-SENSITIVE ADHESIVE PATTERN** 4,416,392 11/1983 Smith 221/45
 4,460,634 7/1984 Hasegawa 428/124

[75] **Inventor:** Timothy A. Mertens, Cottage Grove, Minn. 0012789 7/1980 European Pat. Off. .
 1502143 2/1978 United Kingdom .
 1594798 8/1981 United Kingdom .
 2150883 7/1985 United Kingdom .

[73] **Assignee:** Minnesota Mining and Manufacturing Company, Saint Paul, Minn. *Primary Examiner*—Alexander S. Thomas
Attorney, Agent, or Firm—Donald M. Sell; John C. Barnes

[21] **Appl. No.:** 877,371
 [22] **Filed:** Jun. 23, 1986 [57] **ABSTRACT**

[51] **Int. Cl.⁴** B41L 1/32; B32B 7/06
 [52] **U.S. Cl.** 282/12 A; 282/DIG. 2;
 428/40; 428/43; 428/198; 428/202; 428/203;
 428/126; 281/5

[58] **Field of Search** 428/40, 43, 202, 194,
 428/195, 126, 198, 203; 282/12 A, 12 R, DIG.
 2; 281/5

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3,691,140	9/1972	Silver	260/78.5
3,857,731	12/1974	Merrill, Jr.	118/122
3,900,642	8/1975	Michel	428/40

A writing tablet is formed from a substantially continuous, fanfolded web of uniform width having transverse paths of weakness, along which the web can be torn evenly into individual sheets of uniform size. One face of the web bears a series of pressure-sensitive adhesive patterns, one pattern on each sheet, which pattern contacts the adhesive-bearing face of an adjacent sheet only in nonadhesive areas. The pressure-sensitive adhesive and nonadhesive areas are so prepared that each sheet can be cleanly peeled from the adjacent sheet without adhesive transfer, even after prolonged storage. After the tablet has been formed, its sheets can be conveniently and efficiently imprinted in a printer or copier and then returned to tablet form.

20 Claims, 2 Drawing Sheets



Software Protection

- Copyright protection for Software really started and strengthen in the early 1980s:
 - The 1980 amendments to the Copyright Act, Apple v. Franklin (1983) and other cases
 - Extended copyright protection from literal expression to non-literal elements of software: structure, sequence and organization.
- Patent protection for Software also developed in the 1980s:
 - In 1981, the Supreme Court issued two decisions, Diamond v. Diehr and Diamond v. Bradley, that permitted the patenting of software algorithms; and
 - The Supreme Court recently reaffirmed that software can be patented (Bilski, 2010).
- Many companies notably shifted from using copyright to patent for protection on their software between 1988-1996.
- Trends: smaller software firms and universities tend to use copyrights for software protection because of simplicity, while larger software firms tend to use patents for software protection because of its reach.



	Trademark Trade Dress	Trade Secret	Copyright	Patent
Protection	Mark/Image	Confidential Information	Expression	Invention
Term	As long as used in commerce	As long as kept secret	Life plus 70 years	20 years from application
Registration Required	No, but helpful	No. Should not be public.	No, but helpful	Yes
Scope/limits of protection	Only if causes confusion	Circumscribed by what is kept secret	Must prove copying	All uses are infringing
Costs to obtain	Normal business use and relatively small application fee (btw \$275-375)	Depends on level of protection	Small application fee (btw \$35-50)	Costs go up according to complexity of invention, but typically \$5,000 and up.



IP Rights to Gelato on J-Square

- Trademark on “Gelato on J-Square”;
- Trade dress on overall image or “look and feel” of Gelato on J-Square;
- Trade secret on gelato recipe;
- Copyright and/or patent on App for taking customer orders from anywhere and sending receipt with pickup time; and
- Copyright for paintings.



Questions?



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