

You Don't Know What You've Got 'Til It's Gone: Part 1: Protecting Your Intellectual Property

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ABOUT THIS WHITE PAPER:

Companies need to be as thoughtful about protecting their soft assets—intellectual property (IP) and human capital—as they are with their hard assets. This paper offers specific strategies for IP. (A second paper in the series covers human capital.)

IP includes four areas. Patents are a government license for a product or process. One of the 10 steps shared to protect your patents is making clear that the company owns its employees' patentable inventions.

Trade secrets are useful because you need never disclose them to the public. Among the five tips in this area is ensuring you have a system for retrieving documents and devices from former employees as part of an exit interview.

Trademarks cover signs, designs or expressions. Important among the five steps covered here is that you use the SM and TM marks immediately—even before you apply for the ®.

When it comes to copyrighted materials, the five tips include knowing that you get full value every time you sell something with a copyright.

When you look around your business, it's easy to see the hard assets: products and equipment that could be lost, damaged or stolen. You'd be a fool not to protect them, and there are some obvious ways to do it. For example, you can lock things away or, for smaller things, one manufacturer requires employees to wear uniforms without pockets to reduce theft!



While those assets are important, companies routinely are under-protected in an equally critical area. These are their soft assets, such as intellectual property (IP) and know-how. IP and key employees account for a large percent of many businesses' value. In fact, they represent nearly all of the value in a number of technology-centered companies. Failing to understand and protect the ideas and processes your business creates, and the clients you serve, could jeopardize your organization's future.

This paper walks you through the four types of IP: patents, trademarks, copyrights and trade secrets. It also shares the steps you can take—some legal and many common sense—to reduce your vulnerability and prevent your company from becoming a cautionary tale. The second paper in this series examines in more detail employee agreements and contracts that can be used to shore up these protections.

What Is Intellectual Property?



Intellectual property is an idea, invention or process someone created that has value. Here are common examples:

- Inventions
- Designs
- Software
- Manufacturing processes
- Proprietary methods
- Marketing materials
- Brands
- Customer lists

Protecting Your Company's Patents

Let's start with the definition of a patent. This is a government license for a product or process that allows a company or person to prevent others from using or selling the patented article for a certain amount of time. In exchange for this license, the owner must publicly disclose the product or process.

Here are the 10 steps you can take to start protecting your patents.

1. Make it Clear You Own the Invention or Process

Your employees need to know that while they are working for your company, anything they invent is *company* property. This should be spelled out in their employment agreement. The best-case scenario is to have them sign an agreement when they join your business. However, if you didn't have an appropriate process in place when employees came on board, you can still prepare one and have them sign it later.

The language you choose is very important. You need to ensure that your company has a right to own any inventions assigned to it. To make that clear, employees' agreements should "assign all rights" to inventions to the company. This is not to be confused with having "an *obligation* to assign all rights." In the latter case, if the employee who created the invention moves to another company—and hasn't yet assigned the rights—then he or she may be legally able to bring that information to the next employer. You can easily avoid this risk just by using the correct language.

2. Have Employees Keep a "Notebook"

All of your employees who are involved in developing patentable products or processes should have a place where they record and date their ideas. This is particularly true of engineers and technical people.

A traditional approach is to have a notebook where these items are recorded. Then someone else at the company can review the notebook, agree that this was the person's idea, and then attest to the date of invention. The goal is to have a written record to protect the company in case of litigation.

This remains a valid process. With the proliferation of electronic devices, however, more tech-savvy employees are lured to the use of smartphones, tablets, etc. As this happens, companies need to be aware of and take action to avoid entries being modified later, or permitting your employees to walk out the door with these ideas. You should ensure there are safeguards to the system and, appropriately, treat these ideas as trade secrets (which are discussed more fully later in this paper).

3. Regularly Analyze Ideas

You need a process to review the new ideas and concepts your employees create. If not, your company will just have a pile of ideas with dates that never amount to anything actionable. This process not only allows others to see the great ideas employees have developed, but it

Patent Arms Races



In the past decade, companies have been racing to amass patent portfolios. Two major reasons for this are 1) creating a deterrent against litigious competitors, and 2) taking potentially powerful patents “off the streets” (i.e., keeping them away from non-practicing entities—sometimes referred to as “patent trolls”). Additionally, companies have entered into patent pooling arrangements to access groups of patents they can call on when sued by a competitor. Here are two key examples of this race for powerful patent portfolios.

There are situations like Google’s purchase of Motorola, and Kodak’s sale of its patent portfolio to a consortium including Apple, Google, Fujifilm, Adobe and others. Those companies paid large sums to obtain substantial IP covering technology related to product lines on which they have placed a hefty bet for future business.

There also is the growth of defensive patent aggregating entities, such as RPX Corporation and Intellectual Ventures. These operations exist largely to warehouse patents that technology companies can both use in their products and access as a mode of defense against lawsuits.

also makes it easy for them to discuss whether there is an opportunity to obtain a patent. This activity may be formal or informal, but it must be part of your business routine.

There is more than a legal concern here. From a business perspective, you need to validate whether or not it’s worthwhile to expend the resources to go through the patent process for a particular invention. It’s also not a bad idea to keep apprised of your employees’ progress.

4. Evaluate Competitors’ Patents

One goal of looking at competitors’ patents is to make sure you’re not infringing on these and exposing the company to costly litigation. This allows you to determine if you need to secure a license for a product or activity *before* you face a lawsuit.

Patent review also has an added business benefit. You get to see the ideas that have inspired your peers to take action. Knowing this may spark your people’s imagination, too, and take you in a new direction. In addition, it can reveal ideas in expired patents that you can use. Depending upon when the other company’s now-expired patent was issued, technology may have changed and made a product, process or service possible—or cost effective—when it wasn’t before. This gives you an opportunity to leverage another company’s work for your benefit.

5. Determine If an Idea Is Worth Patenting

This sounds simplistic, but before you initiate a patent application, consider if what you are patenting 1) actually *is* patentable and 2) has enough market value, before getting too far down the line.

On the first point, a good place to start is to search for similar types of patents. You don’t need a lawyer for this. Both Google (www.google.com/patents) and the U.S. Patent and Trademark Office (www.uspto.gov/patents/process/search/index.jsp) have excellent databases you can access. For the second point, it’s important to remember that what might be interesting to you may not have enough value in the marketplace to warrant this expenditure.

However, there is another consideration: litigation. It’s generally less expensive to go through the patent process than it is to go to court—although getting a patent is a pricey prospect. This can allow you to enforce a patent you believe others might infringe, or to prevent others from taking you to court for infringing upon their intellectual property.

¹ For more information on how to defend your company in this situation, see Corporate Survival Guide to Non-Practicing Entity Litigation by Freeborn Partner Ed Rice at www.freeborn.com/assets/white_papers/freeborn_peters_white_paper-corporate_survival_guide_for_npe_litigation.pdf.

6. **Decide If Your Idea Serves You Better as a Patent or a Trade Secret**

There are times when it makes sense to keep something a trade secret rather than patent it. We'll discuss trade secrets in the next section. For now, it's useful to know that important types of trade secrets include *designs or processes with real value, which only your company can do*, and which can't be easily reverse-engineered by someone else. This is not to be confused with a *product you sell*, which someone can take apart to understand how it works.

When you patent an invention, you have to disclose it to the public. While no one can use this for about 20 years, ultimately you will lose the exclusive right to it. On the other hand, you can protect your trade secrets indefinitely.

7. **Know Who Owns What When Circumstances Change**

When involved with third parties, you need to agree on who will own all of the patents and any other IP that springs from the relationship—particularly when it's over. Some arrangements will have a natural ending date. Others will be open-ended. Still others may not have an amicable end. Your initial contract should cover all of these possibilities.

8. **Keep It Secret Until It's Time to Patent**

Until you're ready to file the application, be careful with whom you discuss patentable inventions. It also helps to have a policy on this that you share with employees. There are plenty of sad stories of companies that shared information when they shouldn't have, and saw their patentable opportunities snatched away by opportunists. There are also situations where a company's early sales efforts only served to later invalidate their patent.

9. **Know When to Use Provisional Patents**

Provisional patent applications allow you to stake out your invention up to a year before actually filing a patent application. The catch is that you need to be thorough in the disclosure of your idea (which will not be made public while you decide whether you want to proceed with the application), because the ultimate patent will *only* cover what's mentioned in the provisional patent.

10. **Consider the Geographic Areas Related to Your Patent**

Think about where in the world you do business and where your competitors are located. Then determine the territories where your patent needs to be protected. You don't want to spend the money to get a patent in Europe if you're only marketing a product in the United States—when only filing there should be adequate.

In addition, be aware that patents are only protected in the territories where they are issued. This means other countries, such as China, do not enforce U.S. patents. If you send a product for manufacturing in that country, but don't have a Chinese patent, there's no way to protect yourself once the knock-offs start.

Types of Trademarks

There are three ways to identify your trademarks to the world. Each covers a different kind of protection:

- ™ “Trademark” is used to indicate an unregistered trademark being used to brand or promote goods
- SM “Service mark” is used to indicate an unregistered trademark being used to brand or promote a service
- ® “Registered trademark” shows a trademark has been registered with the appropriate national authority, such as the U.S. Patent and Trademark Office

Protecting Your Trade Secrets

A trade secret can be information—including a formula, pattern, compilation or program—or a device, method, technique or process. It must have two qualities. One: it has actual or potential economic value because it isn't generally known and is not easily understood or replicated by others. Two: the company that uses it must make reasonable efforts to maintain its secrecy.

To successfully sue another party for misappropriating a trade secret requires that you prove two points. The first is where the people got access to the information. The second is that they should have known the information was confidential, and they acquired it without the company's permission.

There are 10 ways you can start strengthening the protection of your company's trade secrets:

1. Store information on your trade secrets in a **physically secure place**. Whether these are papers or computer files, they should not be easily accessed by unauthorized individuals.
2. Clearly **identify and label** trade secrets. Here are three examples of the wording you could use:
 - This information is proprietary to ABC Company and shall not be duplicated, used or disclosed. It also can't be reproduced without written permission.
 - Confidential and proprietary information of ABC Company. Do not disclose outside the company.
 - ABC Company Confidential—Do Not Copy
3. Have all employees read and sign **confidentiality or non-disclosure agreements**.
4. **Limit the distribution of materials** containing trade secret information—and don't let employees leave physical copies lying around.
5. Have a **document destruction program**.
6. **Limit access to trade secret materials**. This includes placing things like machines and prototypes in walled-off or fenced-in places. Also require employees to sign out physical materials or documents. Maintain passcodes and logins to computers or areas of the network that house this information.
7. Hold regular meetings to **remind employees of their obligation** to protect trade secrets. You can even use meetings on other topics as opportunities for reminders on this.
8. **Lock out computer features** that permit employees to save information to external drives. Also prevent access to online services such as Google Drive, Dropbox, etc. In addition, have a policy about the use of instant messaging and/or chat programs and sharing information on trade secrets. Comments there can be “scraped” by third parties looking for confidential data.
9. Conduct **exit interviews and collect devices** on which employees may have stored confidential information. These include smartphones, laptops, hard drives, thumb drives, etc.

Protecting Your Bacon



A company created “Bacon Salt”—a name that exactly described its product. Because this was a relatively generic term, it would have been difficult to protect a trademark on it. To ensure that the company’s unique new product could be marketed and identified in a protectable manner, the owners took action to strengthen their brand identity beyond just that generic product.

First, they used the two founders’ initials to show it was their product. Second, they created an original piece of art (in the shape of a pig) that was paired with the initials and the product name. Because these two strategies differentiate J&D’s Bacon Salt, the trademark is stronger—and the product is distinguished in the marketplace. It also doesn’t hurt that J&D’s Foods went out and secured the Internet address baconsalt.com.

11. Be *careful when choosing and dealing with outside contractors and vendors* who will need access to trade secret materials. Make sure to address the protection of all of your intellectual property up front in any contract.

Protecting Your Trademarks

Recognizable signs, designs or expressions can be trademarked. Trademarking is used to identify a product or service as coming from a specific source. Putting a trademark on something shows that you have taken the extra step to protect your claim to it.

The following five actions can help to ensure your trademarks are in order.

1. Make It Fanciful

Try to make your mark unusual. For example, “Apple” has nothing to do with either computers or making records—but it is memorable, so has supported strong brands for the computer maker and The Beatles. On the other hand, some trademarks are closely aligned with, or suggest what the item is. These can be harder to legally protect.

2. Use TM or SM Right Away

Start incorporating these marks into your art immediately. This is free and something that doesn’t require you to work with an attorney first. When you’re ready, you may file your application for a registered trademark online with the U.S. Patent & Trademark Office (USPTO). The process is likely to take some time.

Once you apply the TM or SM, you indicate to the world that your brand is a trademark associated with your business. Protection, however, will only extend to the field (i.e., industry) and geography of your use. This means if you only operate in a single state or locality, the protection may not extend beyond that place without registering the mark.

Local protection is still useful. There are instances in which local businesses are permitted to use a mark that was later adopted by a large national or international entity. This is the case for Burger King in Mattoon, Illinois. Here, a privately operated store called Burger King does business independently of the large national chain, based on earlier actual use of the name there. But the exclusive right to the name for the Mattoon restaurant only extends for a 20-mile radius around that town.

3. Conduct a Search Before Using or Filing for a New Mark

You want to make certain no one else is already using the mark. While this seems like a no-brainer, you would be surprised at the number of companies that don’t bother and wind up paying filing fees to the USPTO before discovering something is taken.

It’s simple and doesn’t cost much. Start with a Google search and then move on to search the databases publicly available at the USPTO’s website.

A Tale of Textbooks



Be sure to get the full value of your copyright when you initially sell your work. A critical Supreme Court case confirms the existing law, which establishes that people can re-sell your copyrighted works and avoid infringement.

In this case (*Kirtsaeng v. John Wiley & Sons*), a young man from Thailand came to the U.S. to study mathematics. While here, he learned that English-language editions of his textbooks could be purchased in Thailand for much less than the same versions in the U.S. He asked friends and family in Thailand to purchase copies and send them to him. Then he would then sell the books in the U.S. and keep the profits.

The publisher sued for copyright infringement. Despite winning the case in the trial court and the Second Circuit appellate court, the ruling was overturned by the Supreme Court. The justices explained that regardless of where a work is manufactured, if it is made with the permission of the owner, U.S. Copyright Law entitles the purchaser to sell that work to another, regardless of whether the work was initially bought in the U.S. So companies—particularly when they operate globally—should make sure they get the full value of any sale of a copyrighted work. That is likely the only bite at the apple they will get.

4. Monitor Your Trademarks

As your portfolio of trademarks expands, it is important to adopt a system or process to ensure your registrations are maintained and renewed. Lawyers often can be helpful in setting up these systems for you and/or maintaining your portfolio. After going through the time, effort and expense of obtaining a trademark, the last thing you want to do is let it lapse. This risks someone else coming in and taking away your identity—or additional costs to reinstate the trademark.

5. Make Sure Others Use Your Mark Correctly

This means more than ensuring they are licensed to use your mark and presenting it in the right colors, sizes and typefaces. You also want to know that they are maintaining a high level of quality that supports your brand value and leaves a strong positive impression in the market.

Protecting Your Copyrights

Copyrighting an original work gives the creator exclusive rights during his or her lifetime, plus 50 years. It's important for your employees and those in work-for-hire (independent contractor) situations to know that their copyrightable work will be owned by the company.

Since 1989, copyright protection in the U.S. and many other jurisdictions has been automatic—regardless of how the work is marked.

The best practice is to use a © and the year it was created. If your work is already marked it with the © and you discover someone has infringed on your copyright, you can seek statutory damages and attorneys' fees that would not otherwise be available. Statutory damages mean you receive remuneration for *every copy* that was illegally used or sold. This is important, because if you mark the work *after* infringement, then you're only permitted to recover actual damages and lost profits—but not statutory damages or court-related costs.

Here are five key ways to help control your copyrighted material:

1. **Mark the materials that you and your employees create** with a © and the date.
2. **Have agreements in place.** Make it clear that copyrighted materials are being created on a work-for-hire basis and are owned by the company. Have employees and independent contractors sign this.
3. **Get full value for copyrighted materials.** This is particularly important when resale of the work is contemplated.
4. **Know what rights you're giving to another.** Copyrights—like other intellectual property rights—are made up of a number of different rights, such as the right of use and the right to disseminate. Understand what these are and what you are allowing another party to do when you assign a copyright or part of a copyright to it.
5. **Pay close attention when software is involved.** You will want to secure the source code—by registering it secretly with the Library of Congress—and copyrights. This is important, once again, because infringement allows you to collect damages for every copy sold.

Cover All of Your Assets

Now that you know the areas where your company could be vulnerable, it's time to act. As you can see, many of the tips in this paper are things you may do internally, such as 1) regularly analyzing patentable ideas, 2) making certain you keep trade secrets in a secure place, 3) using appropriate marks for your branding and logos, and 4) marking materials with a © and the date.

One critical step is to have solid agreements in place with the employees who could carry your IP out the door when they leave each day—or leave for another firm. That is the subject of the second white paper in this series: *Protecting Your Human Capital*.

It can be hard to know how well your current practices are protecting your organization—and where you are at risk. In addition, many facets of IP protection are more opaque and complex. For both of these situations, it makes sense to work with legal counsel who has specialized in the field. That relationship ultimately can save you time, money and frustration, and reduce the chances people will infringe on your IP—or ensure those who do pay the price for it.

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