

Intellectual Property Law



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Importance of Intellectual Property ("IP") to a Company



- Increasingly important as a business asset
- May constitute the most valuable asset in early stage technology based companies

Why Do Companies Care About IP?



- Freedom to Operate – make sure someone else's IP will not prevent your company from carrying out its business objectives
- Competitive Advantage – protect your company's IP so it can be used to gain a competitive advantage in the marketplace through precluding others from utilizing the IP

Ways to Protect IP



- Copyrights – original works of authorship, including software
- Trademarks – word, symbol or device that identifies the source of goods
 - Company logos
- Patents – right to exclude others from making, using, or offering for sale the invention
- Trade Secrets – secret information that gives owner a competitive advantage
 - KFC's secret recipe

Hershey Kisses



This candy holds:

- A trademark for its shape (#1,584,608)
- A patent for its method of reducing fat levels in cocoa used (#5,464,649)
- A copyright for commercials made to advertise (PAu-697-741)
- A trade secret on its recipe for producing the milk chocolate candy

Copyrights – Original Works of Authorship



- A copyright is a form of protection offered by the government for “original works of authorship”
- Copyrightable works include:
 - *Software*, advertisements, art work, sculptures, photographs, speeches, teaching materials, etc.
- Fixed in a Tangible Medium of Expression
 - Can’t be an impromptu work, it must be fixed
- It is the expression of an idea, *not the idea itself* that can be copyrighted

Copyrights



- Exclusive Rights of Copyright Owner
 - Reproduction
 - Prepare derivative works
 - Distribute copies
 - Public performance or display

Copyrights – Ownership of Work of Others



- Employers – gain copyright over works of employees if the work was created *within the scope of employment*
- Works for Hire – company commissioning the work becomes the owner
- Prudent to document these issues in a signed agreement as well

Copyrights – How to Gain Protection



- Protection exists from the date the work is created in fixed form even without publication or registration
- Marking a work with the © symbol provides notice to the world that the work is protected but is not required for newer works
- Registering a work with the U.S. Government provides the highest degree of protection, allowing for the recovery of statutory damages in addition to injunctive relief

Trademarks – Source of goods



- Trademark: a word, symbol or device that identifies and distinguishes the *source of goods* of one party from those of others
 - Service Mark – similar to trademark except that it identifies services as opposed to goods
- Allows first actual or constructive (i.e. federally registered) user to *prevent others from using the trademark* for goods or services on same or related goods or services

Trademarks - Items That Can be Protected



■ Can protect:

- product names and logos
 - the name Nike and the Nike swoosh
- sales slogans
- container shapes and distinctive packaging
 - Shape of a Coke bottle
- Sounds
 - Intel chime

Trademarks - Obtaining and Keeping



- Perform a Search
 - Make sure the potential trademark is not already being used
- Avoid generic or descriptive terms
 - Arbitrary marks that have no relation to the product stand the best chance of being recognized as a mark
- Make wide use of the trademark and make sure that it is used and marked properly
- Register your trademark at the federal and state levels

Patents – Definition



- RIGHT TO EXCLUDE others from making, using, selling, or offering for sale the invention in the U.S. or importing the invention to the U.S.
- Can have a patent but not be able to use the invention if it would infringe on another patent
- Generally US patents last 20 years from when application filed with USPTO

Patents – Requirements



- Useful and fit into one of the following categories:
 - Process, machine, manufacture, composition of matter, ornamental design, or biological plant
- Novel – must not already be in the public knowledge or in public use
- Nonobvious in the view of prior art and knowledge to a person having an ordinary level of skill in the pertinent area

Patents – Issues Prior to Filing Application



- Is there already a patent or a patent pending for a similar device?
- What is the life-span of the invention?
 - A short life-span may make a patent impractical (i.e. software)
- Is a patent the appropriate protection?
 - Would disclosing the information required to patent give an advantage to competitors?
 - Would company goals be better served by holding the information as a trade secret?

Patents – Prior to Filing Application



- US a first to invent country (rest of world first to file)
- Documenting date of invention (conception and reduction to practice) important – use witnessed laboratory notebooks and invention disclosure forms

Patents – Bars to Patentability



- US Patent – must file U.S. application within one year of public disclosure of the invention
- Foreign – most foreign patent applications must be filed prior to public disclosure of the invention
- Use of nondisclosure agreements is important in order to prevent public disclosure
- Section 102 is complex and has bars to patentability that include printed publications, sales or offers for sale, public use, public knowledge, and invention by another – check with patent attorney prior to taking action with respect to potentially patentable invention

Patents – US Provisional Patent Application



- A lower cost option that can be utilized to avoid, for a certain time, loss of patent rights through public disclosure
 - Example: article containing enabling disclosure of the invention will be published in scientific journal
- Filing date as of the date of filing the provisional application
- Must file a regular application within one year or lose your filing date (and ability to obtain a patent if public disclosure made)
- Does not count against the 20 year term

Trade Secrets – Definition



- Any formula, pattern, device or compilation of information used in a business that gives the trade secret owner an *opportunity to obtain an advantage* over competitors who do not know it. The trade secret can not be public knowledge.
- Examples: KFC secret recipe, Coke recipe

Trade Secrets – Protection



- If information is secret and *reasonable measures are taken to keep it secret*, it will be protected by law
- The law does not create a monopoly for use on the secret like other protections of intellectual property, but it only *protects* the secret from being *improperly appropriated*
- Unlike patents, trade secrets may be “reverse engineered” and thus no longer secret

Trade Secrets – Protection



- Businesses need to take proper steps to ensure the security of their trade secrets
 - Security within the plant or office
 - Contractual safeguards with employees and business partners such as non-competition agreements and confidentiality agreements
 - Workplace controls to prevent the dissemination of trade secrets to individuals that do not need access to them

Licensing Issues



- Exclusive vs. Nonexclusive
- One or a few fields of use vs. all fields of use
- Territory – worldwide vs. geographic restrictions
- Right to sublicense
- Royalty rate and sharing of sublicensing revenues
- Term or duration

Licensing Issues in a University Setting



- Inventor in University setting required to disclose invention to University
- University will evaluate and decide whether to patent
- If University pursues patent it will become the owner of the patent

Licensing Issues in a University Setting



- University will frequently license the patent to startup company owned by inventor if the startup is serious about commercializing the technology
 - Be a company
 - Be capable of meeting market demand
 - Have written plan to commercialize the technology
 - Address conflicts of interest (time constraints for faculty, influence over students, influence on junior faculty, effect on research)

Licensing Issues in a University Setting



- Due Diligence milestones
- Minimum royalty payments
- Repayment of patent costs advanced by University
- Equity in startup to be taken by University?
- Issue fee
- License of trademarks
- www.otm.uiuc.edu

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