



Harper IP Law, PA

A Guide to Intellectual Property for Small
Businesses

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Introduction

This guide provides a general introduction to intellectual property which is intended to address the needs of small businesses.

The term “intellectual property” refers to ideas and information that have value to your business. Intellectual property can take many different forms. Examples are:

- Business and product names.
- Inventions.
- Documents.
- Manufacturing processes.
- Business processes.
- Business information.
- Marketing information.
- Databases.
- Software.
- Graphics and Artwork.

Most intellectual property can be legally protected, at least to some degree by one or more legal regimes and/or business practices. These include:

- Trademark law.
- Patent law.
- Copyright law.
- Trade secret law.
- Proper corporate structure.
- Clear ownership of intellectual property assets.
- Various types of agreements (i.e. contracts).
- Information security.

Please note that the content of this guide is provided for purely informational purposes, is not legal advice and does establish an attorney-client relationship between you and Harper IP Law, PA.

Comprehensive Intellectual Property Planning

Every business should have a comprehensive intellectual property protection plan. The term “comprehensive” is intended both to reflect the basic concept that the plan should cover all of a business’s intellectual property of significant value, and that it should use all available legal regimes and business practices to protect such intellectual property.

The process of developing a comprehensive intellectual property protection plan will generally involve the basic steps of:

- Identifying intellectual property of value to the business currently in existence or likely to be developed; types of intellectual property are discussed below.
- Determining what legal regimes, such as patent, copyright or trademark regimes can be used to protect the business’s intellectual property.
- Determining what business practices can be used to enhance the protection of the business’s intellectual property.
- Estimating the cost of such legal regimes and business practices.
- Determining which of the identified legal regimes and business practices to utilized based on a cost-benefit analysis.
- Forming a plan to implement the selected legal regimes and business practices.

Keep in mind that the above steps are an ongoing process that continues for the life of the business. In particular, certain types of businesses, such as technology-based businesses, may be continuously generating new intellectual property, and addressing the protection of such intellectual property promptly should be a priority.

Comprehensive intellectual property protection planning may appear to be a significant burden and expense, but such planning helps to protect significant assets of a business and enhances the value of the business.

Legal Regimes for Protecting Intellectual Property

Various legal regimes exist for protecting intellectual property. Trademarks, patents, copyrights and trade secrets are discussed below in detail. These regimes can be used to protect intellectual property. These regimes can be used to protect intellectual property from misuse or misappropriation by any third party.

The above list comprises the most important forms of intellectual property protection, although others exist. For example, U.S. law provides for the protection of mask works, that is to say, masks for integrated circuits (e.g. microprocessors). Federal law and various state laws also criminalize various forms of the misappropriation of intellectual property. Most businesses will never need to utilize such forms of intellectual property protection.

Also, businesses and individuals may enter into various private contractual relationships to protect intellectual property from misuse or misappropriation. Some of these types of relationships are described below under business practices for protecting intellectual property.

Trademarks

A trademark is a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods and/or services of one business from those of others. Trademarks typically take the form of words, phrases or graphic logos (which may include words or phrases), although trademarks can include other forms, such as:

- Sound
- Scent
- Texture
- Color
- Domain names

A business acquires trademark rights simply by using the trademark. Trademarks can often be registered at a state level (e.g. Florida) and/or at a federal level (nationwide via the USPTO).

Registration is not required to use a trademark, and an unregistered trademark can still be defended in court, however, registration is relatively inexpensive and carries certain advantages, for example a federal registration provides:

- Notice to the public of the registrant's claim of ownership of the mark
- Legal presumption of ownership nationwide
- The exclusive right to use the mark on or in connection with the goods or services set forth in the registration nationwide

A strong trademark is memorable, unique and inventive. Trademarks can be generally categorized as:

- Fanciful marks - made up words not found in any dictionary. Examples are Kodak and Xerox.
- Arbitrary marks - common words used in connection with products or services unrelated to dictionary meaning of the word. One example is "Apple" for computers.
- Suggestive trademarks - words that *suggest* the nature, quality, or a characteristic of products or services, but do not explicitly describe such products or services. Examples are "Green Giant" frozen vegetables and "Chicken of the Sea" for tuna.
- Descriptive marks - words that *describe* the nature, quality, or a characteristic of the products or services in relation to which it is used. Examples are "Tasty" for bread, "Trim" for nail clippers; and "Car Freshener" for deodorizer.

- Generic marks – generic terms are terms that are typically used to describe products or services. For example, the mark “Pet Store” would be generic for a retail business selling pets.

If a business is selecting a new trademark, fanciful and arbitrary marks are, by far, the safest and surest choices. So long as no competing business is using the same or similar mark, successful registration of the mark is very likely at state and federal levels.

Suggestive marks can be strong as well, but the mark holder should take care that the mark truly *suggests* a characteristic of a product, and does not describe the characteristic.

Descriptive marks are typically difficult to register and defend (unless it can be shown that long time use has made the mark familiar to consumers), and should be avoided. Generic marks are generally not protectable, and should be avoided.

It should be noted that a misspelling of a descriptive or generic term, no matter how clever, does not make term any less descriptive or generic. Thus “Pet Store” and “Peght Storr” are both generic for a retail business selling pets.

If you are contemplating adopting a new trademark, you are best advised to consult a qualified attorney. Before consulting an attorney, however, you may wish to search the USPTO trademark database using the TESS search facility for uses of your mark. Google and Bing are good resources as well.

One other matter deserves mention. If you manufacture or sell a product in foreign countries, you may wish to register your mark in such countries as well. For example, if your goods are manufactured in China, if another entity has a registration for the mark in China, they could block the shipment of your goods to the U.S.

Patents

A patent is a form of intellectual property consisting of a set of exclusive rights granted by a sovereign state to an inventor or their assignee for a limited period of time, in exchange for the public disclosure of the invention. In the U.S., and many foreign jurisdictions, a patent enables a patent holder to protect the structure and /or functionality of inventions that are new, useful and not obvious.. There are two types of patents that are of potential interest to most businesses: utility patents and design patents.

Utility patents are the type of patent that most people think of when they hear the word “patent”. Such patents can relate to one or more of four types of inventions:

- Processes – for example, manufacturing processes or processes implemented using computer software.
- Machines – for example, mechanical devices or electronic devices. Machines typically have parts which often dynamically interact with one another.
- Articles of manufacture - for example, ceramics, cast metal articles, simple tools. Articles of manufacture may have parts, but any interaction among the parts is usually static.
- Compositions of matter – for example, alloys, drugs and chemicals.

Design patents relate to ornamental designs for objects such as articles of manufacture and machines, which can include the appearance of user interfaces for computer software. Put another way, utility patents relate to how something works, whereas design patents relate to how it looks. It is not uncommon for an articles of manufacture or machine to be eligible for both utility and design patent protection.

For an invention to be eligible for patent protection, it must be:

- New – no one else has publically revealed or filed for a patent for the same invention.
- Useful – the invention has to serve some purpose, even if such purpose is not particular earthshaking such as, for example, decoration or entertainment.
- Non-Obvious – the invention is not an obvious modification of a preexisting invention or combination of preexisting inventions (this is usually the most difficult hurdle).

Unlike trademarks, copyrights, or trade secrets, patent rights do not automatically accrue by the conception, testing, or use of an invention – the inventor or his or her assignee must file a patent application.

This is an important point. In the past, under U.S. patent law, the first person to conceive of an invention could claim patent rights in the invention. Under current law, however, the first person or entity to file a patent application for an invention will have any patent rights the invention, whether they were the first or the tenth person to conceive of the invention.

Thus, it is *critical* to file patent applications on an invention as soon as possible. The USPTO provides a low-cost option for inventors to file a patent application on an invention to firmly establish a filing date: provisional patent applications. For \$65-\$130 in USPTO fees, an inventor can file any available documents relating under a cover sheet to establish a filing date. The provisional patent application is good for one year, after which it expires. The provisional patent application must be followed by a full application within one year.

If an invention was in use or was publically disclosed before any patent applications were filed, the invention may be barred from patent protection. If you believe this is the case for your invention, you should consult a qualified patent agent or patent attorney to discuss your rights. *Do not delay if you are interested in obtaining a patent.*

Once you have obtained a U.S. patent, you can prevent anyone from making, using, selling or importing your invention in the U.S. or inducing or encouraging anyone else to do the same. This is powerful protection, and can be very valuable. While the cost of obtaining an issued patent typically falls in the range \$5,000-\$10,000, the value of patents can, and occasionally do, run into the hundreds of thousands.

Note that U.S. patents are only enforceable in the U.S. If you have a substantial market for your invention overseas, you may wish to file for foreign patents. This can be costly, but may be an essential protection your business needs.

Copyrights

A copyright is a form of intellectual property consisting of a set of exclusive rights granted by a sovereign state to an author of a creative work. such as a novel, musical composition or recording, graphic art work or computer program.

Copyrights are of interest to more than just authors and artists, however. A typical business likely has many works that qualify for at least some level of copyright protection. Such works could include:

- Advertisements.
- Websites.
- Manuals, such as user manuals.
- Internal documents, such as policy manuals.
- Software.
- Databases (to a limited degree).

Any creative work is automatically protected internationally under copyright law as soon as it is created and fixed in a medium of expression (e.g. paper, CD, DVD or computer storage). A copyright on a work can be registered with the U.S. Copyright Office for a low fee of \$35. Registration is not required to obtain copyrights in a work, per se, but registration is a prerequisite to bringing a suit for copyright infringement.

Typically, businesses register copyrights for particular works where such works are core business assets, such as software, or where such works are sold for profit, such as books and highly recommended. The registration puts the public on notice you will defend your copyrights, and it serves as good evidence of the date of the creation of the work

An important graphic artwork. Businesses sometimes also register copyrights in advertisements to preclude competition from copying highly original advertising copy. Copyright registration is point to note is that copyright law protects express'ion, not ideas. Where a given idea, such as, for example; an advertisement, a basic story concept for a book, or a business process to be implemented in software, can be written or developed in detail in multiple ways, each such way can be termed to be an expression of the idea, and thus copyrightable.

In practice, the line between ideas and expression can be hazy. As a general rule, facts are typically not copyrightable, nor are procedures, forms and checklists.

Trade Secrets

Trade secrets are any type of data or information that is of value to a business that the business maintains as a secret. Trade secrets are generally maintained in strict confidence not disseminated or known to the public. Examples of trade secrets include:

- Sales and marketing plans and procedure.
- Management policies.
- Customer data such as customer lists, customer sales data, demographics for current and potential customers.
- Manufacturing processes and other types of engineering information.
- Formulas such as, for example, the formula for Coca Cola.
- Software code and manuals.
- Financial information.
- Economic information.

Some trade secrets might be eligible for patent or copyright protection, but filing patent or copyright applications destroys the secrecy of the information, as patents are ultimately published when issued, if not before, and copyright registration requires a copy of the work to be deposited with the Copyright Office, where it is publically accessible.

Businesses may choose to maintain data or information as a trade secret for a variety of reasons, some of which may include:

- Formal registration of trade secrets is not required.
- Trade secrets are not publically disclosed.
- Trade secret protection does not expire, for example, unlike patent protection which expires 20 years after filing (Coca Cola's secret formula is over 100 years old, and still a trade secret).
- Information which may not be eligible for any other type of legal protection may be protectable under trade secret law.

Trade secrets are protectable under a variety of state and federal laws. The basic requirement for trade secret protection of information is where:

- The owner of the information has taken reasonable measures to keep such information secret; and

- The information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public.

What are "reasonable measures"? Generally, methods of protecting information that are generally regarded as effective in the applicable industry for maintaining the confidentiality of information (i.e. best industry practice) and are not unduly burdensome. The more technologically sophisticated the industry, the more sophisticated "reasonable measures" might become.

This is a fuzzy standard, to say the least, but for most businesses, reasonable measures might include:

Physically securing the information, such as locking it in a filing cabinet or safe, where only a limited number of persons can unlock the filing cabinet or safe.

Securing electronic information on a network using one or more techniques known in the art, such that a limited number of persons have access to the information.

Business Practices for Protecting Intellectual Property

Protection of intellectual property can be significantly enhanced by the adoption of various business practices that are specifically directed to deter or prevent the misuse or misappropriation of intellectual property. Unlike the legal regimes discussed above, these practices are generally specifically directed to preventing misuse or misappropriation of intellectual property by owners, partners or employees of a business.

Business owners rightly fear unethical competitors may attempt to misappropriate or infringe their intellectual property. What most businesses fail to take into account is the enemy within. While there may be no enemies within your business, but the time may come when an employee or business partner may betray you – even friends, relatives and spouses.

For example, your business partner could break off from your business, form a new business competing directly with your business, and

- Start selling products and/or services that copy your business's products and/or services.
- Copy your business's customer lists and start soliciting your current customers.
- Use a trademark or trade dress confusingly similar to yours.
- Claim to be the inventor of your most important product.

An employee could

- Claim an interest in patented inventions or copyrighted materials;
- Copy trade secrets and give them to their new employer or use them to open their own business.
- File a patent application for an invention under development by your business.

These kinds of betrayals happen *all the time*, and may well be more of a risk than unethical competitors. People who engage in this type of behavior aren't necessarily bad people or fundamentally dishonest. Most likely, some set of circumstances have occurred in which they feel cheated, underappreciated or possibly some set of circumstances has arisen that has rendered them financially or personally desperate.

Fortunately, some basic, common sense business practices can be used to diffuse such problems before they occur. Such practices include clarity in the ownership of intellectual property assets, agreements to assign intellectual property rights, non-disclosure agreements and non-compete agreements, as discussed below.

Clarity in the Ownership of Intellectual Property Assets

Over time, owners, officers, employees and contractors of a business typically create or enhance various intellectual property assets used by the business, including inventions, creative and artistic works, trademarks and trade secrets. It should always be crystal clear to all parties involved who or what owns such assets.

Three of the most common models for structuring the ownership of intellectual property assets are as follows.

- (1.) Intellectual property assets are owned by a corporation that uses the assets in its operation. Owners of the corporation have do not have any direct ownership interest in, or control over, the assets.
- (2.) Intellectual property assets are owned by a holding corporation that licenses the assets to one or more operating corporations for use their operation. Owners of the holding corporation have do not have any direct ownership interest in, or control over, the assets.
- (3.) Intellectual property assets are owned by the creator (e.g. inventor, author, etc.) of the asset who licenses (implicitly or explicitly) the assets to one or more operating corporations for use their operation. Commonly, the owner of the assets has an ownership interest in such operating corporations.

Any of the above models can be workable so long as they are properly structured. The first model is probably the simplest and least expensive to implement. However, where there are multiple owners, care needs to be taken to lay out in the corporate charter how intellectual property assets can be transferred or sold, and how such assets are to be distributed in the event of corporate dissolution. In particular, care should be taken to insure that one or more owners cannot transfer or sell assets of the corporation without the concurrence of all, or at least a strong majority of the owners of the corporation.

The second model carries a little more overhead, but shelters the intellectual property assets from the liability of the operating corporations. As before, care should be taken to insure that one or more owners cannot transfer or sell assets of the corporation without the concurrence of all, or at least a strong majority of the owners of the corporation.

In the case of the third model, care needs to be taken that the operating corporations have strong licensing agreements with the owner of the assets, ideally exclusive licenses only terminable in the event of clear and substantial breaches of the agreements.

Agreements to Assign Intellectual Property Rights

Where intellectual property assets are assigned to a corporation, all owners, officers, employees and contractors of the corporation should be required to sign an agreement to assign intellectual property rights prior to performing any work for the corporation. While such agreements can be relatively long and detailed, the most important clause of the agreement would be similar to the following:

[Name] presently assigns and transfers to the Company all right, title, and interest, including any and all Intellectual Property Rights pertaining thereto, any works created, made, conceived, invented, developed, discovered or reduced to practice in the performance of his/her/its duties on behalf of the Company.

The wording of this clause, well established by years of practice and case law, operates to automatically assign rights to intellectual property assets without any further agreements or assignments.

Some owners or employees may balk at signing such an agreement, but it is essential that they do so. Generally, it is much easier to get people to sign such agreements at the outset of their association with the corporation. The longer people are with a company, the greater the likelihood that they will overvalue their contribution or feel they have personal rights in creative work they have performed on behalf of the corporation.

These type of agreements serve two important purposes. First, of course, they insure a corporation can legally enforce its rights in intellectual property assets. Perhaps more importantly, however, these agreements provide notice to owners, officers, employees and contractors, from the outset, that they have no personal rights in creative works they develop for the corporation.

Note that it is best practice to follow up general agreements to assign with assignment agreements for specific assets that are of particular value to the corporation.

Non-Disclosure Agreements

In a non-disclosure agreement an owner, officer, employee, contractor or customer of a corporation agrees not to disclose confidential information of a corporation to any third-party, and typically, not to use such information for their own personal use.

Confidential information can be broadly defined as any information relating to a corporation, its assets and its products that is not known to the public which the corporation does not wish to disclose to the public. Such information can include:

- Trade secrets of the corporation.
- Employees of the corporation.
- Financial information relating to the corporation.
- Shareholders in the corporation.
- Pending litigation relating to the corporation.
- Negotiations relating to the sale of the corporation.

The duration of the agreement can be for a limited term, say five years, or more commonly, indefinite, expiring only when the confidential information becomes known to the general public.

Non-disclosure agreements are valid and enforceable contracts although, frankly, it can be very difficult to detect breaches of the agreement in many cases. For example, a former employee may carry a great deal of confidential information in their heads relating to a corporation's products and may, perhaps unconsciously, use the information for the benefit of a competitor. This particular situation can be prevented by the parallel use of non-compete agreements, but other situations present greater difficulties. For example, a current employee might carelessly discuss a corporation's finances with a friend.

Perhaps a more important function of a non-disclosure agreement is simply to put people on notice that there is information that a corporation wishes to maintain confidential, and that unauthorized disclosure of such information may have serious legal consequences for the discloser.

Note that in parallel with non-disclosure agreements, a corporation should ideally implement rigorous measures to secure confidential information, and such information should only be made available to individuals on a strict, need-to-know basis.

Non-Compete Agreements

In a non-compete agreement an owner, officer, employee or contractor of a corporation agrees not to enter into or start a business in competition with the corporation within a well-defined geographical region during a specific, limited time frame.

At first blush, it may not be apparent how such agreements can help protect intellectual property, but the reasoning is simple. A person's motivation to misappropriate intellectual property assets can be significantly diminished if the person can't use such assets to in the operation of a competing business.

The law disfavors non-compete agreements as such agreements can be a significant restraint both on trade and on the ability of persons to pursue employment opportunities. Thus, such agreements must be narrowly drafted. In Florida, non-compete agreements must, at a minimum, comply with the requirements of Florida Statute 542.335. The most important requirements of the statute provide that:

- A non-compete agreement must be signed and in writing.
- A non-compete agreement must serve a legitimate business interest such as, for example, the protection of trade secrets or other valuable confidential information, the protection of preexisting business relationships and/or the protection of good will associated with a trademark, marketing area or geographic location.
- The non-compete agreement must be reasonably necessary to protect the specific legitimate business interest at stake.
- The term of the agreement must be reasonable.
- What is reasonable depends on the relationship of the parties and the interests at stake, for example, where a post term non-compete agreement is in place to protect trade secrets, a duration of 5 years or less is presumptively reasonable.

Bear in mind that when a person is asked to sign a non-compete agreement, it can provoke a very visceral and negative reaction. Of all the various agreements discussed above, non-compete agreements seem the most intrusive, and indeed, they can impose significant economic hardship on the signer. The solution to this problem, to the extent one exists, is to limit the scope and duration of the agreement to the absolute minimum necessary to protect the interests at stake.

Harper IP Law, P.A.

We serve individuals and small and medium sized organizations by providing pro-active legal advice, helping clients understand the many laws and regulations that affect their intellectual property, and representing clients in negotiations, licensing and litigation and other matters.

We provide our services in a highly interactive, efficient and cost-effective manner, closely tailored to client and utilizing state-of-the-art Internet and cloud-based platforms.

Please call us and let us tell you how we can help you protect your intellectual property. There is no cost or obligation for an initial consultation up to 30 minutes.

Services

We provide patent prosecution services for clients nationwide and worldwide, including clients in the I-4 Corridor and technology centers nationwide such as Silicon Valley and the New York and Boston areas. We provide services including the prosecution of utility and design patents in the U.S. and internationally via our network of foreign associates.

We provide patent prosecution services relating to all types of inventions, including mechanical inventions, chemical inventions and computer and computer-related inventions. We have special expertise in the prosecution of patents relating to software, Internet, eCommerce and social networking technologies.

We additionally provide comprehensive intellectual property related legal services to clients in Florida, particularly the I-4 corridor, including Tampa Bay, Orlando and the Space Coast areas. Such services include:

- Trademark and copyright prosecution.
- Services relating to the prosecution or defense of litigation relating to intellectual property, such as patent, trademark and/or copyright infringement litigation.
- Trade secret protection.
- Licensing.
- Comprehensive intellectual property protection planning.