The Entrepreneur's Guide to Patents, Copyrights, Trademarks, Trade Secrets & Licensing
By Jill Gilbert

Part 1

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Well everyone, because of many requests for information on patents, copyrights and trademarks, we decided to do a book this month specifically on that subject. It is a bit of a challenge to attempt this, because there are so many laws and the laws are constantly changing and developing. Believe it or not, more copyright and patent information has been registered in the last 20 years, than all human history put together. With the invention of the Internet, and with technology and globalization, it has become increasingly difficult for government agencies to even begin to keep up with the millions of new patents, copyrights and trademarks that are filed every day. The production of adequate software is one of the greatest difficulties in this modern era, because there is a unique combination of both expressive and functional elements. Whereas in the past, the majority of things patented were one or the other.

This month I want to highlight the main points and I encourage you to purchase this book. You can find specifics on any area that we cover.

Whenever I teach the financial seminars and get to the point where we teach how to find a need and fill it, hundreds of people have come to me with their ideas wanting to know how to get it to the market, or protect it. There is a lot of creativity whenever people are free. And it is this kind of creativity that has made people fortunes. Who knows? You might have the next million-dollar idea! As you read these pages remember that every individual situation is different. Ultimately, you will have to have a real-life discussion with an intellectual property lawyer or patent lawyer.

Patents, copyrights, trademarks and trade secrets are all intellectual property that you want to protect. One of the most amazing things is that some of the most significant innovations in your lifetime that

generated millions of dollars were initially met with skepticism and market resistance. Some examples are birth control pills, personal computers, cell phones, disposable razors, etc. Let's look at a few of the most common items.

TRADEMARKS:

The first are trademarks. A trademark on some product such as the swoosh on Nike shoes causes the public to associate certain characteristic with those shoes. Consumers choose from competing brands and services. Often these are fashion statements like wearing Air Jordan shoes. That trademark actually becomes an identity of many people. From a legal standpoint, trademarks only protect the words and symbols that identify a product, not the product itself. Any word, symbol, slogan, logo, device, or product design that uniquely identifies a product can be a trademark. The law basically says that trademarks cannot have a function other than identifying a product.

Getting legal rights to a trademark is not as complicated as some people think. You get it two ways—either by use, or by registration. By "use", we mean that you are using this in a commercial context of buying and selling, and you have to display your trademarks. It must physically be associated with your product or service like on a label or on a tag. You must engage in actual business transactions with the trademark displayed. You fill out a form called a Notice of Allowance, and enter into a six-month period which can be extended up to 36 months to register it. The U. S. Patent and Trademark Office will then issue you a notice of allowance if you meet the requirements. This period of time allows people to challenge you or prove that the trademark is not uniquely yours.

TRADE SECRETS:

Similar to trademarks are trade secrets. Trade secrets are business secrets. They are often the most valuable asset a company owns. Sometimes trade secrets are technologies, copyrights, trademarks, trade secrets, domain names, etc. that a company will protect, even though it may not be actively using it. They create these as bargaining chips with other companies similar to theirs.

TRADE NAME:

Next it is important to understand the difference between a trademark and a trade name. Legally, they are not the same thing. Each trademark is a mark that identifies the source of goods such as cereal, sports cars, or perfumes. A trade name is the name of a business specifically. Federal law does not allow the registration of trade names. The exception to this however, is when a trademark and a trade name may be one and the same as in the case of the Coca-Cola Company. Trademarks by nature are filled with potential problems. Even if you successfully register your trademark there are many traps you can fall into. The main areas involve things like domain names, trade marking a slogan like, “you've got mail”, telephone numbers, etc. So once again be sure to consult a good attorney. The details of your trademark are handled by the U.S. Customs Service. It is their job to protect trademarks, service marks, trade names, and copyrights that have been recorded with their intellectual property rights branch. To ensure that they do this for you, you must first register your trademark or trade name with the United States Patent and Trademark Office. Once this is done you usually get the approval from the U.S. Customs Service within two weeks.

The book makes 10 suggestions when dealing with these items:

1. Select an easily defensible trademark.
2. Research your mark in the Federal Registers. You can do this online yourself.
3. Check the phone book and local media for prior use.
4. Don't despair if a similar mark is found. You can often work out an agreement with the owner.
5. Eliminate the generic, scandalous, and immoral false connections.
6. Register and designate your mark.
7. Use it properly or you will lose it.
8. Don't allow your mark to become so general that the public will use the mark to refer to your actual product.
9. Don't let others confuse the public about your mark—protect it.
10. If you need help or get in trouble, call the customs service of the U.S. government. They are there to help you.

When you try to trademark something, if you use a word or term that is part of people's everyday language, it will become very hard to protect. For example, terms such as, beautiful, the best, etc., is impossible for a company to claim ownership of. The industry basically breaks it down into four categories going from the hardest to the easiest.

The first category is known as generic. This is a general type of category that really no one can establish ownership of. For example, words like modem or e-mail are generic terms.

The second category is called descriptive. This is about using adjectives that describe the actual characteristics of your product. This is also quite difficult to protect.

The third category is suggestive. Suggestive marks have a higher level of distinctiveness because they just suggest characteristics of a product rather than describing it. A good example is the word Microsoft. It suggests software for microcomputers.

The fourth category is called arbitrary. This is a mark that has no established meaning or connection with the product. A good example is Apple, which designates a computer but has nothing to do with it. This kind of mark is very easy to protect.

After you get your trademark you also may want to give consideration as to how you want the words to appear. The trademark guidelines specifically allow you to protect its stylized words, letters and numbers to change the appearance of your specific mark.

FEDERAL REGISTER:

You can also take another step to federally register the trademark. This gives you some extra benefits including the right to use the official symbol of the federal registry on your product. It gives you streamlined access to federal courts in the case of a lawsuit, and if you ever have legal problems it will help cover your damages and attorney fees. It also stops foreigners from making knockoffs and importing them.

The first step is to take advantage of the free patent and trademark office website which allows you to screen federally registered marks and identify potential conflicts. After you do this preliminary screening, you can proceed to a more comprehensive fee-based database that allows you to research federal, state, and foreign registrations. If your product or trademark passes these first two screening stages then you're ready to invest in a professional trademark search report. The website for this patent and trademark office is http://www.uspto.gov and it provides a wealth in the essential information for any person. It also provides free access to records of both federally registered trademarks and pending trademark applications.

Simply click on the trademark link on this homepage. Click the link, "search trademarks" in the middle of the screen. This will give you four types of searches to choose from. In most cases you will want to use a basic search for the trademarked term. Select the type of search you want to do and enter your search term. Then click, "submit query" and a list of search results containing your search term or terms appear. Click the result that most closely corresponds to the term you want to search. A screen with information about this mark or term will appear. If someone already has this trademark or product it will tell you what it is, the individual that owns the mark and the attorney they used to establish it, and whether or not the mark has been abandoned or whether it's entered into the registry and official.

There are two registers, the **principal register** and the **supplemental register.** The principal register is almost impossible to challenge, but the supplemental register you can sometimes challenge and establish your unique trademark. Please remember, to use the service there is generally a four-month lag between the filing of applications and the time they make it into this website. So it may not be 100% up to date.

You may also want to consider simply using the Internet. Since most companies large or small find it economical to maintain a website, a simple search on the Internet may turn up evidence of prior use of your trademark. You can also check domain names and see if anybody else has registered your trademark as a domain name. You

can also use trade journals and publications or the local newspaper, etc.

Now assuming that you are clear and ready to go, there are two more websites where you can officially pay for your trademark to use it. The best website is trademark.com. This site will encourage you to invest in a report prepared by a professional search firm. It is very good to do this, and once you receive the report carefully review it with your attorney to make sure everything is intact as you want it. The final step is the federal trademark application process. It involves three steps.

FEDERAL TRADEMARK APPLICATON PROCESS:

1. The first step is filing the application with the patent and trademark office. Believe it or not the application is quite simple to do. You can even do it online electronically at the same website **www.uspto.gov.** Depending on what kind of trademark you are registering there will be certain questions as to the basis of why you are filing. You have to prove it is for commercial use, or geographically how it will be used and the nature and quality of the goods or services it is about. It may also ask you for a drawing or specimen to prove the application of actual use. Every application must include a clear drawing of the product you are registering.

2. Then there is the examination of your application by the patent and trademark office. Sometimes they ask you to provide additional information, so this process can vary in length of time.

3. The third step is the publication. After your application has been approved by the patent and trademark office it must be filed in the official Gazette of the patent and trademark office for a certain period of time so anyone interested in opposing the registration of your mark has the opportunity to do so within the required time frame.

Then you must pay the fee by credit card and they will send you a filing receipt. You can check the status of your application by phone or on the Internet. If your trademark is not objected to within the 30-day time frame, then you receive your certificate of registration. It

also has been published in the principal register which makes it very powerful. You now have exclusive ownership of the trademark.

On the other hand, let's say that you are rejected. They will notify you and you have six months to respond. Remember that a rejection does not necessarily mean an absolute “no”. You can appeal to the Trademark Trial and Appeal Board, you can file a petition to the commissioner, you can request further reconsideration, and other options. There is a long history of people that received rejections, who appealed and were able to establish ownership of their trademark. This is especially seen in areas like domain names. For many people and businesses, the most important trademark they own is their domain name. So don't always see your rejection as the end, keep on pursuing it.

Once your registration is in effect, realize you have to file a document known as Section 8 Affidavit. This simply confirms that your market is still used in commerce. Once you obtain your mark, it is your obligation to use it and thus maintain it.

DOMAIN NAMES:

Let's go back to the domain names again. If a domain name has been registered as a trademark, the person who registered it always has superior rights. There are two main organizations that manage this system, and I would encourage you to use Network Solutions, Inc. They have a large database that keeps track of all domain names that are already taken. There is another private company called, The Internet Corporation for assigned names and numbers. This is also a good resource. Their website is www.icann.org.

Okay, now let's go into copyrights and how they work. There are all kinds of copyrights, and it is an area that can get very confusing. There are materials you can and cannot copyright, there are issues that you can safely and fairly use from other people’s works, and there are different ways to get copyright protection for your work. Some copyrights last longer than others, and there's a whole bunch of litigation for infringement in different types of copyrights.

Now let's make it as simple as possible. Copyright protects the creative expression of ideas. It is not enough in a copyright infringement action to prove similarity of ideas. You must prove that meaningful portions of the creative expression have been used without permission. In other words, copyright protects only the expressive, creative elements of the work and none of its functional aspects.

Authors can copyright only what they create. The scope of exactly what is covered by copyright and how it is protected is in a constant state of evolution. Every new technology requires new laws. For example, a movable typewriter back in the 1980s compared to a self-published book created on your own computer today, have totally different laws from each other.

The current copyright law covers books, dramatic or choreographed works, music, sound recordings, photographs, sculpture, architecture, movies, computer programs and other modern-day forms of expression. The actual copyright statute says, **"Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, whether directly or with the aid of machine or device."**

So you may ask the question, what exactly do you need to do to get copyright protection for your work? Believe it or not the answer is, absolutely nothing! Copyright protection is automatic and it is free. The website for the U.S. Copyright Office is **www.copyright.gov.** It says, "Your work is under copyright protection the moment it is created and fixed in a tangible form so that it is perceivable either directly or with the aid of a machine or device." This has changed since 1989. Prior to 1989 authors had to place a copyright notice on unpublished materials. This was abandoned in 1989 and now it is automatic. However, even with this liberty it is still wise to register your copyright simply because in the event of a lawsuit this becomes very important. Since 1976 a copyright has to be registered in order to bring on a lawsuit. The registration is quite cheap, around $30, and the forms are available online at that website.

There is also something called derivative works. Derivative works are creative works that are derived from other creative works. An example of a derivative work is a movie that is based on a novel. This can acquire its own copyright protection as well.

Then there are sound recording and bootlegging. Believe it or not, live musical performances were not extended copyright protection until 1994, and then in 1998 they passed the Digital Millennium Copyright Act. In this the musical owners can put a computer code in the recordings to prevent unauthorized access. This is also quite a simple process now.

LAWSUITS:

When it comes to lawsuits that involve copyrights, there are two kinds—actual and statutory. Actual damages or loss is actually incurred because of lost sales, lost value of the copyright, etc. You must prove that you incurred them.

Statutory damages on the other hand don't need to be specifically proved. This is where there is clear evidence that the infringer willfully acted with knowledge and reckless disregard for the person's patent or copyright. If a court rules in your favor they issue an injunction which is a court order telling the person to stop doing something such as selling merchandise that you have owned or copyrighted.

As you can imagine, in the electronic age copyright infringement is getting extremely difficult to police. The free speech and fair use laws make it even more difficult to copyright your work or product. There are several limitations that are now in place.

1. The first limitation is called the doctrine of independent creation.
2. The second one is called the utility doctrine.
3. The third one is called the doctrine of fair use.
4. The fourth one is called the first sale doctrine.

We do not have time to go into detail on each of these in the book for this month. However, if you are looking to copyright something that has to do with technology in any way, I would encourage you to read Chapter 8 in this book to get the details

Trying to prove and defend copyright infringements is for sure a land mine of difficulties. If you think someone has infringed on your copyright you have to prove that. And there are three basic tests.

The first test involves the basic requirement for copyright protection, which is originality and fixation. To qualify for copyright protection, your work must be an original work of authorship fixed in any tangible medium such as a book, a movie, a website, etc.

The second test asks, is it expressive rather than functional? Remember copyright protection is free and automatic. Since copyright law protects the creative and expressive aspects of the work, it makes sense that the protections are spontaneous and automatic. But if your work is designed to be functional, then you have to get patent protection. Copyright does not cover any mechanical or utilitarian aspects.

Patent protection is superior to copyright protection in several ways. If you have a patent, you have a virtual monopoly on your technology and are protected from competition from inventions that serve the same function. Copyright on the other hand provides no protection from similar works that were inspired by your work, or for works that are similar. To receive a patent, you must prove that your work is truly original, functional and non-obvious. We'll cover more on Patents next month in the last half of the book.

A third test has to do with the wonderful world of public domain. More and more material is falling under this category. One example is an expired copyright. Once the copyright expires it becomes part of the public domain. A forfeited copyright can also become part of the public domain. Certain dedicated works where the authors want their works to be freely available to the public become part of the public domain. Government works are also included and any that were created by a U.S. government employee working in their official capacity, such as an article, report, or research document, is part of the public domain which you can use without any fear of violating the copyright. If you want to sue someone for copyright infringement, you must not only prove that they are using your copyrighted work or that

they copied it, but you also have to rebut any argument that they give that your material is for fair use.

Once you obtain a copyright, it is your duty to protect it as well. Therefore, you should check the Internet on a regular basis for infringing works. You can do this by using search techniques and key words that will reveal unauthorized use of your copyrighted material. You also want to be sure that you registered your copyright. This is an option, but it adds to your enforcement arsenal. If you even think that you might ever need to sue to protect your copyright, then register it. You always need your certificate of registration with you in court in order to recover damages and attorneys' fees. It is also good to put your copyright notice at the beginning of your book or material even though it's not legally required.

You may ask, what if someone infringes on my copyright? More often than not, problems can be cleared up by simple communication. Writing a letter to the person rather than suing them can often result in a peaceful reconciliation. Often a copyright infringement is not on purpose. Some people are just unsophisticated and don't know about copyright law. Many times if you write a nice letter telling them where you saw or encountered their infringing work, and explain that you own the copyright, and request that they cease their unauthorized use or compensate you for it, can often settle the matter quickly and easily. In the book there is a sample "cease and desist" letter on page 269.

Going to court should be your last resort. If you are the legal owner of a copyright, you, as the plaintiff, can sue anyone who infringes on it. If you are successful the court will often award one of four primary rewards.

Injunction: The court can order the infringer to stop publishing or distributing the infringing work.

Actual damages and profits the infringer has earned: You're entitled to be compensated for the money you lost as a result of the infringement or, in some cases, as to any profits the infringer made off your work.

Attorneys' fees: Sometimes a court may agree to award you attorneys' fees and the cost of going to court. Remember this only happens if your copyright has been registered, as I mentioned before.

Statutory damages: This type of damages is a little perk provided by the statute to encourage use of the optional registration process. It simplifies the litigation process a lot. The amount of statutory damages can vary depending on whether the infringer was willful or not.

The proper method to stay ethical can be done by contacting the Copyright Clearance Center. You can find this at www.copyright.com. This is a nonprofit clearinghouse established in 1977. It is used by publishers, authors and users which act as agents for the publisher. Their database allows you to search for anything for a small fee. It has approximately 2,000,000 registered works. If you need permission to use the material that is copyrighted, the clearance center can usually get that done for you within 24 hours. For musical works you can often obtain permission through a website called ASCAP, which stands for the American Society of Composers, Authors and Publishers.

To get permission to use a copyrighted work, you just have to draft a simple letter and name the copyrighted work and where it appears, your name, the purpose for which you intend to use the work, and a request that permission be granted to display their work wherever your work may appear. Again, the book on page 278 gives a nice sample letter you can use.

You also need to be aware that you can use multiple registrations. Often things like music and other artistic items have been contributed to by more than one person. For example, let's suppose you and a friend write a song together. You write the lyrics, your friend writes the melody. Each of you can obtain separate copyrights for your contributions to the combined effort. Another example would be like my brother and I who wrote a book together. I wrote eleven chapters and he wrote two. We can both copyright the parts that we wrote.

There are special issues for copywriting music. Under law, copyright protection for music is automatic, but it is a bit more complicated. A

song gets a copyright protection as soon as it's created and a basic recording of the song has been done. Then actually there are two copyrights, one of the sound recording and the other for the musical composition. A sound recording consists of the actual sounds embodied on your recording, such things as singing, musical instruments, computer-generated sounds, or exotic animal noises. A musical composition can be purely instrumental or any combination of lyrics and music. Believe it or not, it's also possible to copyright lyrics as a literary work, even though they're part of this music.

Because music is a very volatile area you are required to have three things on your production: The letter C in a circle or the word copyright; the year of the first publication; and the name of the copyright owner. Then you must also put on the label, “All rights reserved.” This protects you against the foreign market. If you need to investigate whether something you want to use is under copyright protection, all you have to do is look for the copyright notice. If it's not there, search the copyright office archives. The free database is located at www.copyright.gov. You can also have the copyright office search for you. They charge about $75 an hour and provide you with a written report.

Okay, this covers about half of the book. We have dealt a lot with copyrights and next month as we cover the last half of the book we will get more specifically into patents.