

## 5 Basics about Intellectual Property Law (Part 5)

By Daniel A. Cotter | September 20, 2016

As a lawyer in a start-up or new company, you began by reviewing the governing documents and now understand how your start-up is organized, what form of entity it is, how the start-up was originally capitalized, and the capital position and needs of your start-up. You can now tackle another area: your start-up's intellectual property inventory and protections.

In light of the complexities of intellectual property rights (especially in the field of patents), here we will address some of the basics of intellectual property law, but will not go into the technical details on any of the intellectual property rights.

### THE ORIGINS OF INTELLECTUAL PROPERTY

Intellectual property rights have been recognized for many centuries in Europe, such as in England, where "letters patent" were issued to inventors as early as 1331. Colonial governments granted exclusive commercial rights to products in America prior to the establishment of the United States.

The drafters of the United States Constitution wanted to grant rights to creators of intellectual property, and included the following in Article 1,

Section 8, Clause 8:

"The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

### THE TYPES OF INTELLECTUAL PROPERTY

The term "intellectual property" encompasses a number of intangible rights, but the main categories referred to are:

1. Patents
2. Trademarks and Service Marks
3. Copyrights
4. Trade Secrets

It is important that you understand these rights so that you can inventory your start-up's intellectual property and provide your management team with advice and guidance on protecting those rights.

### 1. PATENTS

A patent is a grant of an exclusive right to an invention that, in the United States, is issued by the U.S. Patent and Trademark Office (the "USPTO"). Patents issued by the USPTO are effective only within the United States, its territories and possessions.

If your organization wants to protect its inventions in other countries, it will need to apply for patents in each of those jurisdictions. When your organization receives a patent from the USPTO, the patent provides your start-up with "the right to exclude others from making, using, offering for sale, or selling" the invention or "importing" the invention into the United States. (*35 U.S. Code § 154(a)(1).*)

There are three types of patents:

- **Utility patents:** These patents protect inventions or discoveries of "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof" (*35 U.S. Code §101*);

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- **Design patents:** These patents protect “any new, original and ornamental design for an article of manufacture” (35 U.S. Code § 171(a)); and,
- **Plant patents:** These patents protect inventions or discoveries of new plants; unless your start-up is engaged in biotechnology, horticulture, or agriculture, you are unlikely to encounter this type of patent.

In order for your organization to obtain a patent, the invention or discovery must meet three basic principles:

- **Novelty:** If any aspect of the claim is new or the combination of parts of the invention have not previously been combined, then novelty is established.
- **Non-obviousness:** If your organization’s invention would have been obvious to a person having ordinary skill in the relevant art at the time of your invention, then it is not patentable even if novel.
- **Usefulness:** Your organization’s invention must have current practical application and benefits.

The United States switched from a “first to invent” to a “first inventor to file” system upon passage of the Leahy-Smith America Invents Act in September 2011. You should determine what patentable inventions your organization has created and, if they are not already subject to a patent or patent application, make sure that the organization files its patent application with the USPTO and/or other countries, as soon as possible in order to obtain patent protection.

Ask your management team what discoveries or inventions it is aware of and what the status is on pending applications. If a patent is granted, your organization will receive a 20 year grant for utility patents (measured from application filing date) and a 14 year grant for design patents (measured from date of grant).

The patent filing process can involve very technical drawings and you should consult with an attorney who regularly practices in this area.

## 2. TRADEMARKS AND SERVICE MARKS

A trademark is “any word, name, symbol, or device, or any combination thereof” that is used

“to identify and distinguish his or her goods... from those manufactured or sold by others.” (15 U.S. Code § 1127.) Similarly, a service mark is “any word, name, symbol, or device, or any combination thereof” that is used “to identify and distinguish the services of one person...from the services of others.” (15 U.S. Code § 1127.)

Your organization will have common law protections for any service mark or trademark if it is using the mark in “commerce” and if no one else has been using the mark previously. Once you have inventoried your start-up’s trademarks and service marks, you may consider recommending to your management team that those marks be federally registered with the USPTO.

Doing so will place your start-up’s marks on the Principal or Supplemental Register and provide your start-up with the right to use the marks and the right to exclude all others from using the marks if that use would likely lead to confusion by the public.

Your organization may have the ability to obtain marks registration and protections for your domain name by using the domain name as your organization’s mark. Domain names alone are not protectable marks, as the USPTO considers the domain name by itself to only an address; however, if the proposed domain name being registered as a mark is actually used to identify the applicant’s goods or services to the public, it may be protectable.

A good example of a successfully registered domain name is Amazon.com. You will have to review the domain name and determine if it is being used by your start-up to identify its goods or services.

## 3. COPYRIGHTS

Copyrights are rights given to creators of works of authorship that are fixed in “a tangible medium of expression” and includes books, music, artistry, sculpture, motion pictures, computer software, and drama. Depending on your start-up’s business, you may have copyrightable materials.

Creation of the original work by itself generates copyright protection. However, you should consider applying for a federal copyright with the Copyright Office within 90 days of creation to establish a creation date and to put others on notice that your organization has ownership rights in that work. Most websites, by way of example, have a copyright designation on them. You should check your start-

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up's website to determine if your organization has included such designation.

#### **4. TRADE SECRETS**

Trade secrets are any formula, process, design, commercial method or other information generally not known to the public. You should investigate whether your start-up has information that it considers to be a trade secret. Trade secrets are governed by state statutes and common law.

Unlike the other three categories of intellectual property, your organization cannot register or apply for protection of trade secrets. Trade secrets law generally protects your organization only from misappropriation by third parties.

Intellectual property rights are an important asset of many companies, and may be the most valuable asset of your start-up. Your attention to effectively inventorying your start-up's intellectual property rights and taking the appropriate steps to protect them will ensure that your start-up enjoys such rights.

As with other aspects of your role as general counsel, you should ask detailed questions and understand the intellectual property rights your start-up has already created as well as the plans your senior management team has going forward in the area of intellectual property rights.

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