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## -INTELLECTUAL PROPERTY-

### OVERVIEW

#### TRADE SECRETS

According to the Uniform Trade Secret Act, a trade secret is "information, including a formula, pattern, compilation, program, device, method, technique, or process that must (1) be valuable because it is a secret, and (2) that the company must have undergone reasonable efforts to keep a secret." Almost anything can be a trade secret (e.g. customer lists, software, processes, etc.). Formalities are not required.

\*Example: the recipe for Coca-Cola.

#### PATENTS

Understanding Patent law basics is beneficial for entrepreneurs. A patent is a limited monopoly where the patent holder is granted the right to exclude others from the patented innovation for a fixed period of time. The patent holder enjoys exclusive rights to the patent that last 20 years from the filing date of the patent application.

A helpful way to think about patent protection is to compare a patent to a piece of real estate. A piece of real estate has certain boundary lines and the property owner has the right to exclude others from crossing the boundary to enter. Likewise, a patent is a piece of property with clearly defined boundaries.

Patentable subject matter under the Patent Act is any "new and useful process, machine, manufacture, or composition of matter" that includes chemical, mechanical, and electrical processes or products." In order to be patentable, the invention must meet three requirements: 1) utility, 2) novelty, and 3) non-obviousness when compared to prior art. An inventor must file a patent application with the US Patent and Trademark Office (USPTO).

\*Example: Apple's patent on a touchscreen that interprets inputs based on gestures.

## TRADEMARKS

A trademark (or service mark) is “any word or phrase, name, symbol, sound, or design that identifies and distinguishes one company’s products (or services) from those made or sold by others.” Things that may qualify as trademarks are viewed very broadly. A business may register the mark with the USPTO, but an owner of an unregistered mark may still receive protection for infringement under section 43(a) of the Lanham Act. Ownership of a mark allows the owner the right to exclude others from using similar marks if those marks may cause confusion.

\*Example: the Parazim logo, which incorporates elements such as a female gender sign, a repeating "z" (for Zim Legal, Zim Talks, etc.), a futuristic building, and a tall Northern CA tree.

## COPYRIGHTS

A copyright grants the owner the exclusive “right to reproduce (or copy) the protected work, to distribute copies of the protected work to the public, and to publicly perform or publicly display the protected work.” A copyright does not grant protection over ideas, only original expression of such ideas. Works protected by copyright include movies, magazines, books, music, dramatic performances, plays, user interfaces, source code, instruction manuals, and diagrams.

\*One famous artist that faced a copyright infringement lawsuit is Madonna, for her song, "Vogue." The material girl won the lawsuit.

## **QUESTIONS AND ANSWERS**

### TRADE SECRETS

#### **QUESTION**

What is the difference between a trade secret and a patent?

#### **ANSWER**

Patents are publicly disclosed and grant the patent holder an exclusive right to the patented work for 20 years. Trade secrets are secrets that hold business value because they are kept secret and can last forever. To better understand the value of a trade secret, just imagine if Coca-Cola's recipe was patented instead of held as a trade secret. It would have become public after 20 years. This would likely be devastating for business.

## QUESTION

What reasonable measures can be taken to protect trade secrets?

## ANSWER

- Educate employees regarding trade secrets, the existence of them at the company, and limit access to the information so it is revealed only as necessary.
- Have employees, contractors, and third parties sign non-disclosure agreements (NDAs).
- Give workers (both employees and contractors) guidelines regarding what information the company considers confidential and how that information should be treated.
- Place warning labels on confidential documents and computer login screens.
- Lock doors and file cabinets (or add other forms of restricted access to physical files).
- Issue employee ID badges.
- Have specific procedures for visitors (signing in and out, signing or accepting an electronic NDA upon visiting the site, visitor badges, no unescorted visitors).
- Require security passwords for computers and networks and limit access thereto.
- Provide a strong trade secret policy statement in employee handbooks.
- Do not discuss confidential information (including “hot projects”) during interviews and limit tours of the facility (or have the applicant sign a nondisclosure agreement).
- Limit or monitor the copying of documents or data in particular departments, prohibit the removal or distribution of certain kinds of documents outside of a specific location, or prohibit or limit an employee from copying or working on company materials on home computers.
- Implement exit interviews with employees, which reiterate that employees may not share/use company trade secrets (including the customer and employee list) after leaving.
- Require departing employees to immediately return electronic devices. Scan the device to make sure confidential company files were not copied before turning it in.

**QUESTION**

Can I register a trade secret?

**ANSWER**

No. This will actually destroy the confidential aspect of a trade secret.

**QUESTION**

How do I determine if I should patent something, or maintain it as a trade secret?

**ANSWER**

There are several different factors to consider. It is important to pinpoint the exact type of invention and obtain a realistic appraisal of the current marketplace with the assistance of an experienced intellectual property lawyer.

**QUESTION**

How long does trade secret protection last?

**ANSWER**

Trade secrets remain protected as long as they are kept secret.

PATENTS**QUESTION**

How does an inventor apply for a patent?

**ANSWER**

There are two types of applications: (1) a non-provisional application, which begins the examination process and may lead to a patent, and (2) a provisional application, which establishes a filing date but does not begin the examination process. Both types can be filed electronically by using the Electronic Filing System (EFS)

<http://www.uspto.gov/ebs/efs/index.html> (for provisional applications, effective January 1, 2002) or in writing to the Commissioner for Patents.

**QUESTION**

What are the costs of obtaining a patent?

**ANSWER**

Patents can be very costly for small businesses. However, many patent attorneys provide free initial consultations. This may help the entrepreneur to get a sense of whether or not to pursue the patent. Most major law firms charge anywhere between \$7,000-\$15,000 to draft a basic software/electrical patent application. Not included in this figure is the filing fees paid to the U.S. patent office which typically add an additional \$1,000-\$3,000 to the initial cost. PTO fees can be anywhere from \$5,000 to \$30,000 over the patents lifetime depending on the size of the company filing for the patent. As discussed further below, one way to avoid these high fees at the very early stages of a company is to first file a provisional patent application. Visit here for the current USPTO fee schedule: <https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule>

**QUESTION**

What is the statutory bar?

**ANSWER**

Publicly disclosing the patented invention may bar the patent applicant from obtaining patent protection later on. However, the patent office permits a one-year grace period from the date of public disclosure to the filing of the patent application. Entrepreneurs should consider filing a provisional patent application until the start-up has the time and funds to prepare the complete patent application.

**QUESTION**

What is a provisional patent application?

**ANSWER**

A provisional application is essentially a one-year placeholder for a conventional patent application. A document containing a detailed description of the invention, which should also include any ancillary figures/flowcharts, is filed with the US Patent Office for approximately \$100. The applicants then have one year to convert the provisional application into a full-fledged utility application, otherwise the provisional application is abandoned. Please look to the USPTO site for more on this. There are risks in filing a provisional that does not contain enough information to adequately describe the invention under the U.S. patent laws, and inventors need to be aware of these risks if filing a provisional without legal help.

**QUESTION**

What is patent infringement?

**ANSWER**

Patent infringement is the unauthorized making, using, selling, or offering to sell a patented item or process in the U.S. It is also patent infringement to import a product into the U.S. that has been made overseas. A patent can cover many different steps within the supply chain, as one entity may make the product, but another sell, and yet another import, and another use.

**QUESTION**

What are the benefits of obtaining a patent?

**ANSWER**

Patents are the strongest form of IP, because they protect against someone independently developing the same invention. A patent owner does not need to show that the infringer copied the invention. Patents can also provide benefits to small companies by conveying prestige, by creating valuable assets for the company, and by providing legitimacy for purposes of obtaining funding. There is also a growing market for selling patents.

## TRADEMARKS

### **QUESTION**

How do I establish a trademark?

### **ANSWER**

The first step is to choose a distinctive mark. The more distinctive (e.g. arbitrary and not descriptive) the mark is, the better protection available. Some example marks include: the McDonalds golden arches, the NBC colorful peacock design, and slogans such as Nike's "Just Do It."

The next step is to perform a trademark search to make sure that someone else does not already have rights to use your proposed mark. This search should include both federal and state databases, and be followed by a Google search of unregistered trademarks.

The final step is to create rights in the trademark by using the trademark in business. This use must be in alignment with trademark law, such as exercising "good faith."

### **QUESTION**

How can I do a federal trademark search?

### **ANSWER**

A trademark search can be done free of charge on the USPTO website using the Trademark Electronic Search System (TESS). Visit the USPTO website here to learn more: <https://www.uspto.gov/trademarks-getting-started/trademark-basics>

### **QUESTION**

Should I register my trademark?

### **ANSWER**

Using a trademark gives you rights under "common law." This means that you may be able to stop others from using your mark if they started using it after you, and if they are selling similar products or services. But, federal registration with the USPTO offers important benefits such as the ability to file lawsuits or collect specific damages. The USPTO also allows trademark filings for an 'intent-to-use' application, when the company is planning on using the mark in the future. This can be helpful for a startup or entrepreneur. You can find more information on this topic on the USPTO site.

## COPYRIGHTS

### **QUESTION**

How long does a copyright last?

### **ANSWER**

Under the current law a copyright lasts for the life of the author plus 70 additional years after their death. If the copyright is not owned by the author but instead is a “work for hire” owned by a company, the lifetime is 120 years from creation.

### **QUESTION**

What are the requirements for obtaining a copyright?

### **ANSWER**

The work must be (1) fixed in tangible medium of expression (which means that it must be written, saved, or recorded), (2) it must be original, and (3) the work must contain some level of creativity (the standard is low). Basic protection is then automatic. You will need to register, however, in order to bring an infringement lawsuit.

### **QUESTION**

What are some ways for a company (via their website) to stay out of trouble?

### **ANSWER**

- Assume that all works on a website are protected under either copyright or trademark laws. A work is not public domain solely because it is on the Internet.
- Read the terms and conditions of all click to accept agreements.
- If you receive complaints of unauthorized materials on your site, remove them so as to investigate or consult with an attorney regarding whether the complaint has merit.
- Be aware of copyright licenses that accompany open source code, and understand the restrictions before using the source code in your project.
- Investigate all claims quickly.
- Consider asking written permission to use works.

### **QUESTION**

What is the Digital Millennium Copyright Act (DMCA)?

### **ANSWER**

The DMCA is a 1998 law that says that Internet Service Providers can avoid liability by following certain rules “including the speedy removal of infringing material.” If you are developing a website that allows users to upload information to the site without first being screened, you will want to understand the DMCA, and how it can apply to protect you.

## HELPFUL RESOURCES

### Trade Secrets

<http://www.nolo.com/legal-encyclopedia/california-trade-secret-law.html>

[http://www.uniformlaws.org/shared/docs/trade%20secrets/utsa\\_final\\_85.pdf](http://www.uniformlaws.org/shared/docs/trade%20secrets/utsa_final_85.pdf)

<http://intellectualproperty.uslegal.com/frequently-asked-questions-2/trade-secret/>

### Patents

<http://www.uspto.gov/patent>

<http://www.nolo.com/legal-encyclopedia/patent-copyright-trademark>

<https://www.eff.org/patent>

<https://laymansiplaw.wordpress.com/patent/>

### Trademarks

<http://www.uspto.gov/learning-and-resources/trademark-faqs>

<http://www.uspto.gov/trademark/guides-and-manuals/steps-searching-pdf-version-official-gazette-tmog>

<http://www.registeringatrademark.com/1-rtm.shtml>

### Copyrights

<http://www.copyright.gov/help/faq/>

<http://fairuse.stanford.edu/overview/faqs/>

<http://www.copyright.gov/eco/faq.html>

<http://www.uspto.gov/trademarks-getting-started/trademark-basics/trademark-patent-or-copyright>

<http://fairuse.stanford.edu/overview/>