INTRODUCTION TO INTELLECTUAL PROPERTY

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THE ROLE OF INTELLECTUAL PROPERTY IN BUSINESS

1. Most businesses have proprietary information and knowledge that it relies on to

 carry on its business activity, including the products and services it sells and the

 marketing efforts to promote its name and sustain the loyalty of its customers. There are

two kinds of intellectual property: information that is regarded as proprietary and thus

should remain confidential, that is, restricted to persons having a need to know the

particular information. This type of information falls within the category of trade secrets. The other type of information is that which is susceptible to public notice such as trademarks, patents, and copyrights.

1. Proprietary information may take the form of its (1) customer database; (2) vendors of

materials, advice, funding, etc.; (3) the proprietary novel designs, processes or

techniques, and concepts that give distinctive form to its products and services;

(4) any works of authorship it has produced – software, brochures, website format, etc.

 C. To the extent information is proprietary, it may be protected under the Laws and

 regulations of the Federal and State governments for Trade Secrets.

 D. Today I will discuss each of these four methods of IP protection and provide examples.

 E. There will be some time after the conclusion for questions.

THE LEGAL FOUNDATION OF INTELLECTUAL PROPERTY

1. FEDERAL CONSTITUTION, ARTICLE I, SEC. 8: “The Congress shall have the Power;

[8] To promote the Progress and useful Arts, by securing for limited times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

The purpose of the Constitutional provision quoted above is to emphasize the importance

of innovation to the needs of a newly established nation by encouraging invention and discovery through legal structures. There are four categories of laws and regulations designed to secure the rights to innovations, discoveries, and works of authorship

TRADE SECRETS

 The law governing trade secrets includes:

 A. Federal Statutes and Regulations:

 (1) 18 U.S. Code – TRADE SECRETS Chapter 90, Sections 1839, 1832, 1836.

 B. State Statutes:

 (1) Texas Business & Commerce Code, Chapter 16: Trademarks

 (2) Texas Civil Practice & Remedies Code, Chapter 134A Trade Secrets – also known as

 The Uniform Trade Secrets Act (UTSA).

 As noted earlier, the information that a business relies on to conduct its business activities – methods of operation that provide competitive advantages, client or customer databases, proprietary software it developed in-house, proprietary technologies embodied in its products, services and manufacturing processes – all are examples of information that the business would prefer not to become public.

 Maintaining the secrecy of such information requires affirmative steps to ensure the information remains confidential yet permits limited access by employees and managers with a need to know. A first step is identifying what information the business recognizes as proprietary and who should have access to it. The next step is determining what measures are needed for maintaining the secrecy of the identified information, who should be custodian of the material, and where such information should be stored. Policies should be developed for the uses of each type of information, preferably in the hands of office staff or facilities managers whose job description involves or requires access to the particular information.

 In addition to these provisions, the use of employee confidentiality agreements and training in the maintenance of confidential information enable employees to recognize, understand, and exercise informed actions as necessary to protect the businesses proprietary information. The confidentiality agreements provide notice to the employee of the type of information that must be safe-guarded, the policies and measures he or she is responsible for using to safeguard it, and the importance of compliance with the policies. Confidentiality agreements should be reviewed annually to keep them up to date and to obtain the understanding of the employees along with their signatures affirming their compliance with the applicable policies.

 Finally, it is important to provide training of all newly hired employees to apprise them of the existence of proprietary information and their responsibility in maintaining the trade secrets of the business. The training should be repeated periodically, e.g., annually, to refresh the importance of the policies regarding the proprietary information and to update the policies as the information to be safeguarded changes.

PATENTS

 The law governing patents includes the following Statute: 35 U.S. CODE Part II – PATENTS; and the following Regulations: 37 C.F.R. Chapter 1, Subch. A, parts 1, 3, 4, 5.

PATENTING AN INVENTION

 A patent is a document, a record of the grant of a right to an inventor of a specific invention for a limited time to exclude others from practicing the inventor’s invention, while the inventor has control of how the invention is used. The document includes a **cover** bearing the signature of the Director of the U. S. Patent and Trademark Office; a **Title Page** that contains the Title of the invention, a Patent Serial Number, the Inventor’s name, and a selected drawing of the invention; and a full set of **Drawings**. The body of the patent document contains a detailed **Written Description**; and at least one legal statement of what the invention is, called the **Claims**.

 A patent is an item of personal property, as distinct from real property such as land or a homestead. The claims of a patent set forth the boundaries of the invention – sort of like the “metes and bounds” of a piece of land. Trespassing of a patent is called “infringement,” and occurs when an infringer practices the invention by making or using it exactly as stated in at least one claim of the patent. A patent enables the inventor or owner of the patent to file a complaint in Federal Court in the event it is believed an unauthorized person or entity is infringing the patent.

 A patent grants the inventor or owner of the patent the right, for a limited time, to exclude other persons or entities from practicing the invention without the authorization of the inventor or owner. The time is limited to the term of the patent grant, which is 20 years from the date the application for patent was filed in the U. S. Patent and Trademark Office (PTO). The owner or inventor may authorize another to use the invention by granting a license, usually in return for a royalty or other agreed compensation. The owner or inventor is responsible for maintaining the patent in force by payment of maintenance fees, due at four-year intervals. Missing a maintenance fee payment usually results in the lapse of the patent’s exclusive right and dedication of the invention to the public domain.

 Obtaining a patent is a legal process that requires filing a written application for patent in the PTO where it will be examined by an examiner skilled in the subject matter of the application. The application is similar to a technical paper about the invention, usually written by an attorney who is registered to practice before the Patent Bar in the PTO. Registration to practice requires an undergraduate engineering or science degree. It also requires a thorough knowledge of the procedural laws and regulations governing the application and examining process as demonstrated by passing an examination.

 Important sections of the Patent Statute 35 U. S. CODE Part II include the following provisions, which define the minimum requirements of the invention to obtain a patent, including the requirements for the application itself.

 “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title.” Section 101. This provision defines the categories of an invention that may be patented.

 “A person shall be entitled to a patent unless – the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.” Section 102. This provision requires the invention to be novel, i.e., new and original and not previously patented.

 “A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious . . . to a person having ordinary skill in the art to which the claimed invention pertains.” Section 103. (The term “obvious” will be discussed later.)

 “*In general* – (a) The specification [of an application for patent] shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention.” (b) *Conclusion* – “The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention.” Section 112. This provision defines the content of the written description.

 “The applicant shall furnish a drawing where necessary for the understanding of the subject matter sought to be patented.” Section 113. This provision defines the content of the drawings.

 Examination of the application includes a thorough search for relevant prior art to learn if the invention is disclosed in a patent or other publication. The examiner then analyzes the application for compliance with the statutory provisions stated above. It often occurs that the application must be amended to bring it in full compliance with the statutory provisions. When the invention is found to exist in one of the allowed categories, is novel and non-obvious, and complies with the application content provisions, the application will be “allowed to issue.”

COPYRIGHT FOR A WORK OF AUTHORSHIP

The law governing Copyright includes the following Statute: (3) 17 U.S. Code – COPYRIGHTS Chapter II, Subch. A, Sections 102 and 106.

 Under Section 102 of the Copyright statute, “(a) 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 may be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

1. literary works;
2. musical works, including any accompanying words;
3. dramatic works, including any accompanying music;
4. pantomimes and choreographic works;
5. pictorial, graphic, and sculptural works;
6. motion pictures and other audiovisual works;
7. sound recordings; [and]
8. architectural works.”

“(b) In no case does copyright protection for an original work of authorship extend to any

idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.” These items are properly the subject of patent applications. Section 102.

Original works of authorship can exist in many areas of subject matter, as listed above in

the Statute. The copyright attaches as soon as the work is fixed in tangible form such as

a recording or printed copy. Notice of the copyright is provided when the caption: © Year, Name of Author is placed on the copy. The copyright may be registered by filing an application in the U. S. Copyright Office in the Library of Congress at [www.copyright.gov](http://www.copyright.gov). Registration of the copyright provides the owner or author the right to file a complaint in Federal Court in the event of infringement of the copyright.

An application for registration may be filed by the author by filling out the appropriate form and submitting it with the required fee to the U. S. Copyright Office. Application forms are available on the website. The form required depends on the category of the work and must be correctly selected. Two complete copies of the best edition of the work must be deposited with the Library of Congress within three months after the work is published. An application for registration of an unpublished work need only be accompanied by one copy. Though not required, it is suggested that an attorney be consulted to ensure the form is correctly selected and filled out.

 Once the copyright attaches,“[t]he owner of copyright under this title has the exclusive right to do and to authorize any of the following:

1. to reproduce the copyrighted work in copies or phonorecords;
2. to prepare derivative works based upon the copyrighted work;
3. to distribute copies or phonorecords of the copyrighted works to the public by sale of other transfer pf ownership, or by rental, lease, or lending;
4. in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly; and
5. in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.” Section 106.

The copyright in a work generally extends for the lifetime of the author plus 70 years for

works created on or after January 1, 1978. Other conditions apply. 17 U. S. Code Section 302.

TRADEMARKS

 The Federal law governing Trademarks includes the following: (4) 15 U.S. CODE – TRADEMARKS Chapter 22, Subchapters I, II, III.

 A trademark is a “word, phrase, logo or other graphic symbol” (Black’s Dictionary, 9th Ed.) used in commerce by a business entity to distinguish the goods or services it offers in the marketplace from other entities. The source of the good or service is also identified and advertised by the trademark it bears and may operate as an indicia of quality. A tradename is a “name, style or symbol” (*Ibid*.) that identifies a business entity rather than its goods or services.

 A trademark may be registered by application to the U. S. Patent and Trademark Office. In making application for registration, the applicant may file the application under the provisions of “intent to use” per Section 1052(b) or under Section 1052(a) for marks already being used in commerce. In either case the conditions of intent to use or actual use must be verified. Registered marks are granted as classified in one or more of a list of eligible categories of goods and services. A comprehensive list of the classes of goods and services is set forth in regulation in 37 C. F. R. Subpart A, Section 6.1. This section lists 34 broad categories or classes of goods and 11 classes of services. The application must include a list of the goods or services it will be used with and a drawing of the mark. 37 C. F. R. Section 2.32.

Upon registration a Certificate of Registration is issued to the registrant. The registrant may give notice to the public by a superscript ® appended to the mark. The registrant may also display “the mark with the words ‘Registered in the U. S. Patent and Trademark Office’ or ‘Reg. U. S. Pat. & Tm. Off.’” Sections 1111 and 1112.

 For unregistered marks, a business entity may give notice to the public of an unregistered mark by appending the capital letters TM as a superscript to the mark. Section 1052.

 Under the laws of the State of Texas, registration of trademarks or service marks is similar to the process under Federal Law. In Texas, the application is filed with the Secretary of State’s Office. A Certificate of Registration is issued upon allowance of the application. The term of the registration is renewable at five-year intervals. A trademark or service mark registered in Texas is “in use” when it is “placed in any manner on: (A) the goods; (B) the containers of the goods; (C) displays associated with the goods;” etc. Texas Business And Commerce Code, Title 2, Chapter 16, Sections 16.001, .002, and .003.

SOME FREQUENTLY ASKED QUESTIONS

 What does the term “obvious to a person of ordinary skill in the art” mean?

This provision states that the invention cannot be patented if its combination of components or process steps would be obvious, even though the invention consists of a novel combination, to a person having ordinary skill in the subject matter of the invention. As a condition for obtaining a patent, the test for obviousness considers the knowledge and understanding of a person who is familiar with the commonly known features of the field of technology used in the invention.

 Should a novel idea or discovery be patented or protected as a trade secret?

That depends on several factors. Some of them include: (1) Whether the idea should be disclosed to the public; (2) The duration of protection; (3) Whether it is easy to work-around the idea; and (4) The availability of remedies for unauthorized use or infringement.

 A patent requires disclosing the idea to the public in return for the right, for a limited time, to exclude others from practicing the invention. If the return on the investment in the idea is not expected to last the lifetime of the company, or if the patent is sought to establish a defensive position against the portfolios of current or near-term competitors, then obtaining a patent may be the best option.

If it is most important to maintain the secrecy of the idea or invention, because of its recipe of ingredients or components, or because the process of making it is the key to its novelty, or the product is anticipated to return value for a very long time, then trade secret protection may be the best option.

Why might it be best to keep a discovery or novel idea secret?

Keeping a novel idea or process secret for an indefinite time may arise when the process for making a product or providing a unique feature came from a discovery never known previously. A trade secret can be used to protect the discovery and the benefit of its use from disclosure. This would apply if it would be hard for a competitor to make the same discovery by analyzing the product containing the feature. As an example, process control in a system, or manufacturing a product, may depend on a list of essential but not obvious factors that must be sensed, measured, and used by succeeding steps leading to a desired control operation. Or, a discovery that one or more of those factors is unnecessary may lead to a more efficient way of providing the control. Patenting the discovery would require disclosing the discovery, while keeping it secret would preserve the competitive advantage to the discoverer.

What is an example of a work-around?

If a competitor can determine how to make a patented product or a novel feature of the product, devising another way to make it or provide the same or equivalent feature by an alternate process can avoid trespass of patented rights. In an example, about 1990, Tandy Corporation manufactured low-cost modems for use with its personal computers but had to pay a hefty royalty to license use of a software feature patented by a small company. An engineer studied the patent and discovered a novel, not obvious, and equally efficient way to provide the feature that was not patented. His idea was patented by Tandy, thereby eliminating the royalty cost.

 What if an “AI” software program is used in creating a work of authorship or an invention?

Policies and regulations regarding the use of “AI” in applications for copyright and patent are tentative to some degree at present. The U. S. Copyright Office will allow registration of an application only for a work authored by a human. Use of “AI” in creating a work, even in part, will be denied registration. The U. S. Patent and Trademark Office will consider an application for patent in which “AI” was used but will require significant human contribution – i.e., by a natural person – to the invention stated in every claim of the application. Moreover, it is suggested that if “AI” was used, the way in which it was limited should be described in the written description of the invention to clarify that the creation of the invention was by one of more natural persons.

What are some remedies for infringement of intellectual property?

Under the Federal statute 28 U. S. CODE §1338 (a): “The district courts shall have original jurisdiction of any civil action arising [and filed] . . . under any act of Congress relating to patents . . . copyrights, and trademarks.”

Remedies for copyright infringement awarded by the court, set forth in 17 U. S. CODE Chapter 5, may include: Injunctions (§502), Impoundment (§503, Damages and Profits (§504, and costs and Attorney’s Fees (§505).

Remedies for infringement of patents awarded by the court, set forth in 35 U. S. CODE Chapter 29, may include Injunction (§ 283), Damages (§ 284), and Attorney’s Fees (§ 285).

DISCLAIMER

 This presentation is for educational purposes only, is prepared to provide general principles and information. It should not be relied on for legal advice. The opinions expressed in this presentation are those of the author. Any person with a concern about a legal matter should consult with his or her attorney.

 A word about Mr. Mosher. Following four years active duty in the U. S. Air Force maintaining electronic equipment and then earning a BSEE degree at Iowa State University, he worked 20 years as an engineer in the commercial sound and personal computer industries. 25 years ago, after law school at Texas Wesleyan University, he entered practice as a patent attorney. Mr. Mosher is a member of the law firm Whitaker, Chalk, Swindle & Schwartz PLLC.

APPENDIX

FEDERAL STATUTES

 35 U. S. CODE - PATENTS

SEC. 101: INVENTIONS PATENTABLE

SEC. 102: CONDITIONS FOR PATENTABILITY; NOVELTY

SEC. 103: CONDITIONS FOR PATENTABILITY; NON-OBVIOUS

 SUBJECT MATTER

SEC. 111: APPLICATION FOR PATENT

SEC. 112: SPECIFICATION

SEC. 113: DRAWINGS

SEC. 287: MARKING AND NOTICE OF ISSUED PATENT

 17 U. S. CODE – COPYRIGHTS

 SEC. 102: SUBJECT MATTER – IN GENERAL

 SEC. 106: EXCLUSIVE RIGHTS IN COPYRIGHTED WORKS

 SEC. 302: DURATION OF COPYRIGHT

 SEC. 401: NOTICE OF COPYRIGHT – FORM, POSITION OF NOTICE

 SEC. 408: COPYRIGHT REGISTRATION

 15 U. S. CODE – TRADEMARKS

 SEC. 1051: REGISTRATION OF TRADEMARK

 SEC. 1052: LIMITATIONS OF TRADEMARK SUBJECT MATTER

 SEC. 1057: CERTIFICATES OF REGISTRATION

 SEC. 1059: RENEWAL OF REGISTRATION

 SEC. 1111: NOTICE OF REGISTRATION

 SEC. 1112: CLASSIFICATION OF GOODS AND SERVICES

 18 U. S. CODE – TRADE SECRETS

 SEC. 1839: DEFINITIONS

 SEC. 1832: THEFT OF TRADE SECRETS

 SEC. 1836: CIVIL PROCEEDINGS