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# ENTREPRENEURS INTRODUCTION TO INTELLECTUAL PROPERTY

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# Entrepreneurs Introduction to Intellectual Property

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## Introduction

For many businesses, a well-known, highly respected brand is often the most valuable piece of intellectual property that can be had. Building a powerful brand is, at the end of the day, a function of two things: offering products and/or services that distinguish (in a positive way, of course) the business in the marketplace, and tying those products and services to one or more trademarks widely recognized by the target customers in the market as the source of those products and services. Let's assume your business has the appropriate products and/or services, and focus in on the trademark part of the branding equation.

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# What Every Entrepreneur Should Know About U.S. Law and Patent System

By: Edward J. Evans

To first-time inventors, effectively navigating the patent system in the United States might seem like a daunting task. It is the author's experience dealing with first-time inventors that, oftentimes, the difficulty lies in knowing where to begin and what questions to ask. This article is intended to assist inventors and entrepreneurs, who are in the midst of their first experience with the patent system or who are otherwise unfamiliar with the patent system, in gaining a working knowledge of the patent system in the United States.

## What is a patent?

A patent is a legal document that grants its owner(s) the right to exclude others from making, using, selling, or offering for sale a patented invention within the United States for the term of the patent. A U.S. patent also grants its owner(s) the right to exclude others from importing the patented invention into the United States.

A U.S. patent does not grant a right to use the patented invention. It is within the realm of possibility that a patent owner may be precluded from making, using, selling, or offering their patented invention for sale because the technology upon which it is based is covered by an earlier patent owned by another party. Such a situation may arise when a first party is issued a patent covering an improvement on a base technology, while the patent covering the base technology (issued to a second party) remains in force. So, under U.S. patent law, the first party is entitled to exclude the second party from making, using, selling, or offering for sale any products incorporating the improvement to the base technology, while the second party is entitled to exclude the first party from making, using, selling, or offering for sale any products incorporating the base technology.

A patent owner, however, may convey to another an exclusive or non-exclusive right to make, use, sell, offer for sale, or import the patented invention by granting a "license" covering the patent. Otherwise, unauthorized manufacture, use, sales, offers for sale, or importation of a patented invention is known as "infringement."

Furthermore, pending patent applications and issued patents have the attributes of personal property and can be bought or sold (i.e. "assigned"). The assignment, however, must be memorialized in a written document.

## What subject matter can be patented?

Any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof may qualify as patentable subject matter.

Most individuals associate patents with a consumer product, which traditionally would be considered a "machine" or an "article of manufacture" for purposes of patentability. However, the process used to create a consumer product, or a material used in creating a consumer product, may also qualify for patent protection.



**What types of patents are available?**

The two most common forms of patents include a “utility” patent and a “design” patent. A utility patent defines an invention in terms of its structure and function. In contrast, a design patent defines an invention in terms of its ornamental appearance, rather than its function. Therefore, the scopes of protection afforded by a utility patent and a design patent, respectively, are largely independent of each other and do not overlap.

**What is the term for each type of patent?**

Generally, the term of a utility patent begins on its date of issuance and ends 20 years after the filing date of the application on which the patent is based. The term of a utility patent is generally non-extendable, though some exceptions apply.

The term of a design patent is 14 years, beginning on its date of issuance. The term of a design patent is non-extendable.

**When should an inventor consider seeking patent protection?**

With marketing a product incorporating the invention of primary concern to most inventors, it is not uncommon for inventors to first consider patent protection during the final phases of the design process. However, an inventor should consider patent protection early in the design process to improve the likelihood that patent protection could be obtained on the inventor’s technology. Ideally, an inventor should consider patent protection immediately after having conceived of their invention to a sufficient detail so as to be able to explain to “one of ordinary skill in the art” how to make and use the invention. Every day that subsequently passes, additional “prior art” may become available for a patent examiner to cite against a later-filed application covering the inventor’s technology.

At the very least, an inventor should consider seeking patent protection prior to any public disclosure of the invention. Although under current U.S. law, an inventor is provided a one-year grace period from a public use, sale, or offer for sale of the invention within which to file an application in the U.S., most foreign countries require “absolute novelty” of the invention as a prerequisite to obtaining patent protection. In other words, to preserve a right to pursue patent protection in foreign countries requiring absolute novelty, an inventor must file a patent application covering the invention before any public disclosure of the invention occurs. Such an application, for example, may be a U.S. or an international patent application, discussed in more detail below.

**What is involved in the process of preparing a patent application?**

It is important to know that an issued patent begins life as an application that is filed with the U.S. Patent and Trademark Office (USPTO), which examines the application to determine whether it is entitled to be granted as a patent under U.S. patent law. It is not guaranteed that an application will eventually be granted as a patent. It is also not guaranteed that the scope of patent protection desired at the time of filing the application will be available to the applicant at the conclusion of prosecution of the application.

By rule, a patent application must include a specification in which the invention is described, at least one drawing of the invention if it lends itself to illustration, and at least one claim defining what the inventor considers to be the invention. If analogized to a real property setting, a “claim” is like a legal description of the invention, and can be visualized as a fence demarcating the invention from the known art in the public domain. The greater the area

surrounded by the fence, the broader the scope of the inventor's claim, making the patent more valuable.

An application filed with the three above-mentioned elements is considered complete and is entitled to a filing date. The filing date of a patent application can be analogized to the inventor's "stake" in the ground at which time the inventor was in possession of the invention.

Although an applicant is not required to perform a patentability search prior to filing a patent application in the United States, it is almost always a good idea for the applicant to do so. A patentability search, in essence, is a preliminary assessment of the likelihood of obtaining patent protection on an invention. More specifically, a patentability search involves studying a sampling of prior-art patent or non-patent documents in the same technical field within which an invention might be classified. After understanding the relevant prior art, an inventor may make a more informed decision whether it's worthwhile to proceed with a patent application, the cost of which is typically many times that of a patentability search.

### **What happens after a patent application is filed?**

It is also important to know that the U.S. patent system is not based on registration. In other words, submission of a patent application to the USPTO is not the end of the process. Rather, it is only the beginning of a process, known as "prosecution," in which the applicant (or, their patent attorney) is actively involved in advocating for the patentability of the invention described in the application.

After an application is filed, it sits in an examiner's queue awaiting examination. To commence examination, the examiner conducts a search in the USPTO database for prior art that could be used to "reject" one or more of the inventor's claims in the application. A "rejected" claim is a definition of the invention that, as alleged by the examiner, is wholly included in the prior art. These allegations are communicated to an inventor in an "office action," initiating prosecution of the application.

Of course, the examiner's claim rejections may be rebutted by submitting arguments based on fact and legal precedent. Alternatively, the inventor may decide to amend the claims in the application to address the examiner's claim rejections. This process of negotiation continues until the examiner either agrees that the claims in the application are allowable in view of the prior art of record or closes prosecution of the application if agreement cannot be reached. Continued prosecution may be requested by the inventor with payment of additional fees.

### **What happens after a patent is issued?**

Only after a patent is issued can it be enforced against a potential infringer in the marketplace. However, for a patent to eventually be enforced, the patent owner must actively monitor the marketplace to identify potential infringers. The USPTO is not responsible for identifying potential infringers of patents that are issued by the office.

It is also important to know that the fee paid to the USPTO to obtain issuance of a utility patent will only maintain the patent in force for up to four years after issuance. Additional fees, known as "maintenance fees," are due at the 3-1/2 year, 7-1/2 year, and 11-1/2 year intervals after issuance to ensure that a utility patent remains in force for its entire 20-year natural term. The maintenance fee for each interval progressively increases to encourage

patent owners to let their patents lapse, thereby dedicating the technology covered by the patent to the public.

Design patents do not require the payment of maintenance fees to remain in force throughout their natural 14 year term.

### **What if foreign patent protection is desired?**

Presuming an inventor first files an application in the United States, any foreign patent applications claiming priority to the U.S. application must be filed within one year from the filing date of the U.S. application. This right is based on the Paris Convention for the Protection of Industrial Property, of which the United States is a signatory.

An inventor may prolong the decision in which foreign countries an application should be filed by an additional period of time by filing an “international” patent application within one year from the filing date of their U.S. application. This right is based on the Patent Cooperation Treaty, of which the United States is also a signatory, and provides a period of 30 months from the priority date upon which the international application is based (i.e. the filing date of the U.S. application, in the above example) to file national applications in each of the PCT member countries in which patent protection is sought.

The international or “PCT” patent application itself cannot mature into an enforceable patent, but rather preserves the inventor’s right to later pursue patent protection in the individual PCT member countries. Currently, there is no “global” patent application that could ultimately mature into an issued patent that is enforceable in any country in the world.

### **What do I do with all of this information?**

As a businessperson and entrepreneur, after reading this article, you should know enough about U.S. patent law and the patent system to understand how the patent system might be used to the advantage of your business. For example, you should have a better understanding of the role that the patent system could play in your business strategy, particularly if your business is innovation-focused. You should also now be aware that patent protection covering your technology should be considered early in the development process, rather than later or at the very end. At the very least, you should be equipped with enough information about U.S. patent law and the patent system to ask more informed questions when working with your patent attorney or initially engaging the services of a patent attorney.



# Trademark

By: Laura M. Konkel

## What is a Trademark?

A trademark is any word, slogan, logo or other device that helps consumers identify and distinguish the source of a product or service. Even smells, sounds, colors, product shapes and packaging designs can be trademarks – e.g. the color brown applied to vehicles used for delivery services (owned by UPS), the musical notes G, E and C played on chimes when used in connection with television broadcast services (owned by NBC Universal) and the well-known shape of the curved COCA-COLA bottle. When consumers see or hear these unique trademarks, they know what company is offering the product or service without the need for words.

As a source indicator, a trademark helps consumers decide whether they want to buy or avoid a product or service based on their prior experiences with something else bearing that trademark. For example, a consumer who had a positive experience with a FORD vehicle may decide to buy another FORD vehicle in the future. Thus, a trademark that builds a positive reputation in the marketplace is an invaluable business asset.

## Selecting Strong Trademarks

When developing a new brand name it's tempting to pick a term that describes the product or service. For instance, if you are launching a new detergent, the name ULTRA CLEAN may be appealing because you want consumers to immediately understand that it is a superior cleaning product. However, as a general rule, terms that describe a characteristic of the product or service, or attribute quality or excellence to it (e.g. ULTRA), are very weak source identifiers that do little to set your product apart from those of your competitors. Descriptive and laudatory terms are also subject to little, if any, trademark protection, meaning it will be difficult to prevent competitors from using an identical or nearly identical product or service name.

More distinctive brand names generate more consumer recognition and are entitled to more protection. The strongest trademarks are fanciful or coined terms, which have no dictionary definition (e.g. KODAK film or EXXON petroleum). Arbitrary trademarks, which are comprised of terms with common meanings but not in relation to the product or service for which they are used (e.g. APPLE computers) are also very strong. Suggestive terms, which hint at a characteristic of the product or service without immediately describing it (e.g. COPPERTONE sunscreen), are also capable of trademark protection.

## Clearing Trademarks for Use

Before adopting and investing money into a new trademark, you should first determine whether someone else is already using the same trademark, or a very similar trademark, in connection with a related product or service. If you use a trademark similar to one already used by a competitor, it may erode the source-indicating function of your competitor's trademark and cause consumer confusion, subjecting you to a trademark infringement claim. If you infringe another's trademark rights, you will have to rebrand your product or service and you may also be liable for monetary damages.



For this reason you should have a qualified attorney conduct a clearance search before adopting a new trademark. A clearance search typically involves a review of federal and state trademark databases, as well as other sources of information such as company name databases and the Internet. After completing a survey of current trademarks in the marketplace, your attorney will provide an opinion as to whether your new trademark poses an infringement risk. It is recommended that you conduct a clearance search in each country in which you intend to use your trademark.

### **Trademark Protection: Should I Register My Trademark?**

In the U.S., rights in a trademark belong to the first person or business to use it. You need not have a federal registration to own trademark rights; however, without a registration, your rights will typically be limited to the geographic area in which your products or services are offered. For example, if you operate ABC BAKERY in Portland, Maine and sell your baked goods only in that area, and you do not own a federal registration for your ABC BAKERY trademark, then you may not be able to prevent someone else from operating an ABC BAKERY in San Diego, California. If you are granted a federal registration for ABC BAKERY, it will constitute a legal presumption of your ownership of that trademark and your exclusive right to use it nationwide as of the filing date of your federal trademark application. Other benefits of federal registration include public notice of your claim of trademark ownership, the ability to record your trademark with U.S. Customs and Boarder Protection Service to prevent importation of infringing or counterfeit products and the right to use the ® registration symbol.

There are many countries that, unlike the U.S., do not recognize unregistered trademark rights. In those countries, the first person or business to register a trademark acquires exclusive rights in it and can prevent others from using the same or similar trademark, even if that other party has already used the same mark in that country for many years. For this reason it is important to consult with a trademark attorney to determine where trademark applications should be filed in order to protect your valuable trademark rights.

### **Proper Trademark Use**

Trademarks are adjectives. A trademark should never be used as a noun or a verb. It should always be used as an adjective that describes the common, generic name for the product or service.

Correct:

We use XEROX copy machines in our office.

I own ROLLERBLADE in-line skates.

My kids love OREO cookies.

Incorrect:

I made a XEROX.

Please XEROX these documents.

I'm going ROLLERBLADING.

My kids love OREOS.

If a trademark is used improperly as a noun or a verb it may become the generic description for, or synonymous with, a general class of products or services and lose its source-indicating function. Then, everybody will be free to use it. Examples of well-known terms

that were once trademarks include “aspirin” and “escalator.” These terms lost their trademark significance through improper use.

Be consistent. Always use a trademark in the same manner, and if you registered it, use it exactly as shown in the registration certificate. Do not change punctuation or make a two-word mark into one word (e.g. X-Y-Z WisconsinDGET vs. XYZWisconsinDGET).

Use the appropriate trademark symbol. The <sup>TM</sup> symbol can be used to identify any trademark, registered or unregistered. It has no legal significance but indicates to others that you claim rights in the marked term. In contrast, the ® symbol can be used only to identify a federally registered trademark.

It is not necessary to mark every occurrence of a trademark with the <sup>TM</sup> or ® symbol, but it certainly doesn't hurt. At a minimum, the first and/or most prominent use of a trademark on a product, on a package or in an advertising piece should be marked appropriately.

Distinguish trademarks from surrounding text. In addition to using the <sup>TM</sup> or ® symbol, you can also emphasize trademarks by printing them in all capital letters or in a bold, italic or other unique font. This helps make it clear to others that you are claiming trademark rights in a particular term.

### **Maintaining Trademark Rights**

You must use a trademark to maintain rights in it. If you stop using a trademark for a period of time with no intention to use it again in the future, then you will abandon your rights in the trademark and it will become available for others to use.

Misuse of your trademark by others can also result in a loss of rights. If you don't enforce your rights against infringers, your trademark will lose its source-indicating function, just as “aspirin” and “escalator” lost their trademark status (discussed above). If you discover that someone is infringing your trademark it is important to take action, or risk losing your rights.



# An Introduction to Copyright Law

By: Sansun Yeh

Copyright is a form of intellectual property protection for “original works of authorship.” Copyright protects against unauthorized “copying” of an author’s work. Copyright protection is a relatively inexpensive tool that can be used to protect a company’s assets, including computer software and website materials. In certain instances, copyright protection may be used in conjunction with other forms of protection such as trade dress and patent protection. Understanding copyright issues will help to ensure that a business has copyright ownership in its assets.

Copyright protects original works of authorship, including literary, dramatic, musical, artistic, and other works that are fixed in a tangible medium. Copyright is different from a patent or a trademark. A patent protects inventions or discoveries and a trademark protects words, phrases, symbols, or designs identifying the source of the goods or services of one party and distinguishing them from those of others. Copyright does not protect facts, ideas, systems or methods of operation, however, copyright may protect the way these things are expressed. Copyright does not protect names, titles, slogans, or short phrases, which in some cases may be protected as trademarks. Copyright also does not protect “useful articles” (i.e. an object that has an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information), listings of ingredients or contents, or works lacking a “modicum of creativity.”

A copyright owner has the exclusive rights to 1) make copies (or authorize copies to be made) of the work; 2) prepare derivative works based upon the work (i.e. variations of the work); 3) distribute the work to the public by sale, license, rental or lending; and 4) display and perform the work publicly. A copyright owner may transfer any or all of these exclusive rights (e.g. by assignment or exclusive license), or any subdivision of these rights (e.g. by non-exclusive license), to another. The transfer of exclusive rights requires a written agreement, whereas the transfer of non-exclusive rights does not.

The creator of the original expression in a work is its “author.” The “author” is also the owner of copyright unless there is a written agreement by which the “author” assigns the copyright to another person or entity, or the work in question is a work “made for hire.” The authors of a joint work are considered co-owners of the copyright of the work, unless there is an agreement to the contrary.

A work is “made for hire” when it is prepared by an employee within the context of employment or is specifically ordered or commissioned for use as a contribution to one of the categories of works identified in the Copyright Act (i.e. a collective work, a motion picture or other audiovisual work, a translation, supplementary work, a compilation, instructional text, a test, answer material for a test, or an atlas). If a work is specifically ordered or commissioned, the parties must expressly agree in a signed written instrument that the work is a work “made for hire.” The ownership of works “made for hire” does not vest in the author, instead, the employer or the commissioning party is considered the “author” and copyright owner in the first instance.



Works “made for hire” are potential pitfalls for a business. Copyright of a work may not actually be owned by a business if the work 1) is prepared by an independent contractor (i.e. not an employee), 2) is prepared by an employee outside the scope of employment, or 3) is specifically commissioned but does not fall within one of the categories of work identified in the Copyright Act or if there is no signed “work for hire agreement” or assignment. In these situations, it is important for a business to fully understand the employer-employee relationship and/or to have a signed agreement stating that it owns the copyright in a work.

Copyright protection automatically exists for copyrightable works upon their creation in a fixed form. Registration of copyright with the Copyright Office is not a condition of copyright protection, however, the copyright law provides several inducements or advantages to encourage copyright owners to register their works. For example, registration is required before an infringement suit may be filed in court. Registration establishes a public record of the copyright and may eliminate the “innocent infringement defense” (i.e. a claim that the defendant did not realize that the work was protected). Registration also allows for the protection against the importation of infringing copies. Also, if the work is registered prior to infringement (or within 3 months of first publication) then the registrant may be able to elect statutory damages and recover attorneys’ fees in the event that a court finds the work to be infringed.

Registration, which is simple and relatively inexpensive, may be made at any time within the life of the copyright. Registration involves submitting to the U.S. Library of Congress a complete copyright application form, a filing fee, and copy of the work to be registered. Copyright registration lasts for the life of the “author” plus 70 years. For works “made for hire”, the term of copyright protection is 95 years from publication or 120 years from creation, whichever is shorter.

While optional, a copyright notice placed on copies of a work provides the benefits of informing the public that the work is protected by copyright, as well as the name of the copyright owner. A copyright notice includes 1) the symbol © (the letter C in a circle), the word “Copyright,” or the abbreviation “Copr.”; 2) the name of the entity that owns the copyright and 3) the year of first publication. A work having a proper notice may also eliminate the “innocent infringement defense.”



# Protecting Your Products and Packaging with Trade Dress

By: Matthew D. Brown

You have invested in research and development and spent a lot of money creating a distinctive image for your product. Now you are faced with the challenge of how to protect this investment from competitors who may seek to copy or knock-off your product designs or packaging. Summarized here is how you can use trade dress to protect your investment.

Trade dress is the total image of a product and may include features such as size, shape, color or color combinations, texture and graphics. Trade dress is comprised of the aspects of overall appearance that distinguish a firm's goods and identify their source, without serving any other significant function.

The United States Patent and Trademark Office (USPTO) permits the registration of trade dress if it is non-functional, distinctive and serves to identify and distinguish the goods of a particular provider from those of others. Registration is for an initial term of ten years and can be extended indefinitely so long as the required maintenance fees are paid and the trade dress continues to function as an identifier of source. The first step is to determine whether the trade dress sought to be registered is a "product design," or, instead, "product packaging." This distinction determines the manner in which the trade dress is evaluated by the USPTO. Product packaging trade dress includes the total image created by the packaging in which a product is marketed and is conceptually separable from the product itself. Product configuration trade dress encompasses the design or particular features of the product and is inseparable from the product itself.

## Product design

Registration of "product design" trade dress on the USPTO's Principal Register requires a showing of "acquired distinctiveness." Trade dress has "acquired distinctiveness" when in the minds of the purchasing public it serves to identify the source of the product. Volkswagen's "Beetle" automobile is an example of well established product design trade dress. Typically, acquired distinctiveness is shown by consumer surveys, affidavits from consumers or those involved in the relevant industry, sales figures, the nature and extent of advertising and promotion (particularly advertising and promotion that emphasizes the trade dress elements of the product). Acquired distinctiveness may also be established by substantially exclusive use of such trade dress in commerce for a period of five years.

## Product packaging

An applicant seeking to register its "product packaging" trade dress need not show "acquired distinctiveness" but may be able to obtain registration upon a showing that its packaging is "inherently distinctive." Packaging is "inherently distinctive" when by its intrinsic nature it identifies a particular source. An example of inherently distinctive product packaging trade dress is the squat, bright orange Tide laundry detergent container.

To prevail on a claim of trade dress infringement, you must show (i) that your trade dress is either inherently distinctive or has acquired secondary meaning, as the case may be, and (ii) that the accused party's trade dress causes a likelihood of consumer confusion as to the



source of the respective products. Courts use various factors to determine whether there is a likelihood of confusion between the trade dress of two products. Typically, those factors include the similarity of trade dresses, the strength of the plaintiff's trade dress, the area and manner of concurrent use of the respective trade dresses, the degree of care likely to be used by consumers in making their purchases, actual confusion, and the intent of the accused party to pass off its product as that of the trade dress owner. No single factor is dispositive, and the weight given to each factor varies from case to case based upon the relevant facts.

### Recommendations to protect trade dress

When promoting products, tout the uniqueness of the non-functional features by using verbal descriptions and printed materials (sell sheets, labels, web pages, etc.) that emphasize the “uniqueness,” “distinctiveness,” “originality,” and “exclusivity” of the design or packaging. Tell the trade and consumers to “look for” certain specific distinguishing ornamental characteristics of your products.

1. Put the public and competitors on notice of your trade dress claims. For example, you could include a legend on materials accompanying your product such as the following: “The shape and appearance of this distinctive [product] [and packaging] are trademarks and trade dress of [your company name].”
2. For any trade dress that consists of a product configuration that can be graphically depicted, reproduce such item on the product label, hang tags, packaging and/or on other promotional items. If the product configuration is not yet registered, it can be depicted in tandem with the symbol “™”. If it is federally registered, it should be depicted in tandem with the symbol “®”.
3. Do not tout the utilitarian features of your trade dress. Doing so may provide grounds for a competitor to challenge your trade dress as being “functional” and therefore unprotectable.
4. File applications with the USPTO to protect your trade dress. When applicable, present affidavits and evidence that support a claim for “acquired distinctiveness.”

### Conclusion

Trade dress, patent and copyright protection are tools that you can use to protect the investment and goodwill in your products and their packaging. These forms of protection are not mutually exclusive and one or more may be available with respect to a particular product or design. Considering these forms of protection early in the product lifecycle can provide you an opportunity to pursue protection and best position your company to challenge those who may seek to copy or knock-off your products.



# Trade Secrets: What Are They and How Do I Protect Them?

By: Eric F. Severson

## Background

A patent is the form of intellectual property that most commonly comes to mind with respect to new innovations. A patent provides a government endorsed monopoly to prevent others from making, using or selling an invention for 20 years from the filing of a patent application. The invention may be a new apparatus, a composition, an article of manufacture or a process that meets the statutory requirements for patentability. The invention must be both new and non-obvious.

Getting a patent can be a rigorous, expensive and time consuming activity, usually costing thousands of dollars and taking years to obtain. One of the principal drawbacks of patent protection is that the applicant for such protection must fully disclose how the technology works, and the best way to practice it, such that another engineer or scientist can use the patent as a blue print to reproduce the invention. This disclosure is provided to the public upon publication of the patent application, which occurs before the patent office has even decided whether the invention is protectable or not. Under the patent system, therefore, the innovator will be disclosing his or her invention to the public without being certain whether any protection will be ultimately available, or what the full scope of that protection will be.

Trade secret protection can provide an alternative form of intellectual property protection that does not have the same limitations as patent protection, though it has its own specific limitations.

## What is a trade secret?

A trade secret is generally any information that derives economic value (actual or potential), from not being generally known to, and not being readily ascertainable by proper means by other persons. The information to be protected as a trade secret must meet two requirements:

- i) **The information must be a secret (i.e. not public knowledge or general knowledge in an industry).**
- ii) **The information must be subject to “reasonable efforts” to be kept a secret.**

## Reasonable Efforts

What constitutes “reasonable efforts” depends on the information to be protected and the general practices for a specific industry. “Reasonable efforts” does not mean all conceivable efforts.

Generally “reasonable efforts” include the use of confidentiality/non-disclosure agreements, security precautions (locks, passwords, badges, etc.), and “need to know” compartmentalization of knowledge to keep information secret. Trade secret protection is handled under individual state law and common law, with most states having enacted the Uniform Trade Secrets Act governing the protection of such rights.



**Advantages and Disadvantages**

Trade secrets have several benefits over the patent protection. First, a trade secret is not limited to a specific term, but can be protected indefinitely as long as the information is preserved as a secret and retains its economic value. Second, trade secrets can protect innovations that may not meet the statutory requirements for patentability. Finally, trade secret innovations are not published and available to the public.

However, there are limitations to the protection of trade secrets. One significant drawback to trade secrets is that they do not protect against independent development. For instance, if a competitor would develop a process or system similar or identical to an innovator’s process or system without obtaining or referencing the innovators trade secret (i.e. did not obtain by theft, espionage, or disclosure by former employee of innovator), the trade secret would not protect against this independent development. Another drawback is that the innovator must take continual “reasonable efforts” to keep the innovation a trade secret, and if the “reasonable efforts” lapse, even if only in one specific instance, the trade secret protection can be lost. One more drawback is that certain types of innovations may not be able to be maintained as a trade secret. For example, if the trade secret can be determined by reverse engineering, its status as a trade secret may be lost.

The table below summarizes the differences between patent protection and trade secret protection:

**Patent v. Trade Secret Protection**

|   | <b>Patents</b>  | <b>Trade Secrets</b>   |
|---|---|--|
| What is protected?                      | Inventions  | Any information you do not want your competitors to know   |
| What are the requirements?              | The invention must be new, useful, and non-obvious  | The trade secret must, in fact, be a secret and maintained as such through appropriate business practices  |
| How long does protection last?          | 20 years from filing and a minimum of 17 years  | Indefinitely   |
| What are the costs?                     | Filing, prosecution, maintenance, and enforcement   | Establishing procedures and keeping key employees  |
| How long does it take to secure rights? | Two to five years   | As long as it takes to establish and maintain internal company procedures  |
| How can competitors defeat my rights?   | <ul style="list-style-type: none"> <li>▪ Invent and file first</li> <li>▪ Challenge the validity of my patent</li> <li>▪ Design around my patent</li> <li>▪ Invent and publish</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Hire away key employees</li> <li>▪ Reverse-engineer the product</li> <li>▪ Patent my trade secret</li> </ul>  |
| How can I defeat my own rights?         | <ul style="list-style-type: none"> <li>▪ Publicly use the invention for more than one year before filing a patent application</li> <li>▪ Sell (or offer to sell) the invention more than one year before filing the patent application</li> </ul> | <ul style="list-style-type: none"> <li>▪ Accidentally disclose a trade secret</li> <li>▪ Fail to retain key employees</li> <li>▪ Try to get U.S. and foreign patents and have patent application published by USPTO</li> </ul> |



### When is a Trade Secret the Right Protection?

When considering maintaining an innovation as a trade secret, an innovator must ask a number of questions regarding the new technology, such as:

- Can the new technology be kept confidential and effectively used? For example, can the technology be effectively used in a closed and secure facility? If so, trade secret protection should be available and an appropriate form of IP protection.
- Is the new technology truly innovative or is it an obvious application of existing technology? If it's a modification of existing technology, patent protection may not be available.
- Will use of the new technology by others be easily detectable? If so, the technology may not be able to be kept as a trade secret and patent protection may be a better option, especially if infringement can be easily determined.

Innovators should work with their intellectual property counsel to address strategies for protection of their inventions to make sure the best form of intellectual property protection is implemented to protect the company's most precious assets, their innovations.

### Keeping Trade Secrets Secret – 12 Protective Measures

The following checklist summarizes the key protective measures which a trade secret owner should take to ensure that the security of its trade secrets is maintained.

1. Only Disclose the Secret on a "Need to Know" Basis. Only those parties that have a need to know the trade secret information in order to perform their jobs should be given access to the trade secret information.
2. Maintain a Written Statement of a Business's Trade Secret Policy. A business's trade secret policy should be set forth in writing and provided to employees. The trade secret policy should describe the type of information that the company safeguards as a trade secret. The absence of a written trade secret policy may be persuasive evidence that information was not in fact treated as a trade secret. A business should be certain that all employees with access to trade secrets are instructed in the actions they are to take to ensure the secrecy of the confidential information to which they have access.
3. Treat Trade Secret Information Differently from Other Information. If possible, trade secret information should be separated physically from other information and employees requiring access to the secret information should be prohibited from discussing the secret information outside the separate and secure areas.
4. Institute Physical Security Measures. A business should, if it has not done so already, implement security measures including passwords and locks to physically deter access to trade secrets. Such actions may provide critical demonstrative evidence to show a court that affirmative actions have been undertaken to safeguard confidential information. Computers containing proprietary information should be accessible only by means of a password. These passwords should be changed



regularly and stored in a secure place. Additionally, information which is transmitted electronically should be transmitted in an encrypted or scrambled form to prevent its interception.

5. Trade Secret Documents Should Be Labeled. To help deter the improper dissemination of trade secret documents, all such documents should be labeled with a proprietary notice and employees should be instructed as to the meaning of such designation.
6. Written Documents Containing Trade Secrets Should Be Destroyed When They Are No Longer Needed. This measure will eliminate the need to physically safeguard items which no longer need to be maintained in written form. The destruction of these materials should be in a manner which eliminates their usefulness and prevents competitors from being able to reassemble the documents.
7. Remind Employees of Their Confidentiality Obligations. Employees should be reminded on a regular basis of the business's security procedures and their individual obligations to maintain the secrecy of trade secret information.
8. Employees Should Be Required to Sign a Written Pledge of Confidentiality. This pledge should acknowledge that the business has granted the employee access to trade secret information, that the business is protecting the information, that the employee agrees not to disclose or misappropriate the information, and that the employee will report to the business all unauthorized disclosures or uses of the trade secret information. (This written pledge should define the trade secret information to which the employee is or will be granted access so that the employee cannot later claim that she was unaware of the scope of the information that the business sought to protect via trade secret law.)
9. Hold Exit Interviews with Departing Employees Who Have Had Access to Confidential Information. An exit interview provides a business with an opportunity to remind a departing employee of his or her written pledge to refrain from misappropriating or disclosing trade secret information. This interview also provides an opportunity for the business to collect all documents, security passes, notes and other items that pertain to the trade secret information. Immediately following the exit interview, the business should send the former employee a written summary memorializing the issues discussed at the exit interview and instructing her to call the business if she has any questions regarding her continuing obligations of confidentiality.
10. Restrict Access to the Business Property. To help restrict trade secret dissemination, the business can limit the public's access to areas containing its trade secrets. A business should not allow visitors to meander through its facility unescorted. Rather, if it has not done so already, a business should institute a formal procedure regarding visitors which may include requiring visitors to sign a confidentiality pledge. Any tours of a business's facilities should be careful to avoid the disclosure of proprietary information.
11. Screen Speeches to Eliminate Confidential Information. Publications, press releases,



speeches, seminars, and trade show displays should be screened to ensure that competitors are not provided an opportunity to discover trade secrets.

12. Disclose Trade Secrets to Others Only After the Other Party Has Signed a Confidentiality Agreement. On occasion a trade secret owner must disclose a trade secret to a third party such as in connection with entering into a license, joint enterprise, or sale of a business. The confidentiality agreement should clearly establish the responsibility of the third party to keep the trade secret information confidential as well as the implications of a breach of the agreement.



# America Invents Act

By: Alan C. Cheslock

The America Invents Act (the Act) was signed into law in September of 2011. The Act has already brought significant changes to the U.S. patent laws and rules. However, some of the most significant provisions of the Act, including First-to-File and Post Grant Review, have not yet become effective. Below is a brief summary outlining the substance and effective dates of some of the key provisions of the Act.

## First-to-File – Effective March 16, 2013

The Act moves the U.S. from a first-to-invent system to a First-to-File system. Under the current first-to-invent system, a first inventor could be awarded a patent for an invention even if the invention was disclosed in a patent application filed by a second inventor before the first inventor filed a patent application if the first inventor can prove, among other things, that their date of invention is before the filing of the patent application by the second inventor. Under the First-to-File system this will no longer be the case and patents will be awarded on a First-to-File basis, and any third-party prior art available before the patent application filing date could be used to reject the application. An applicant will still be given a one year grace period for any disclosures made by the application. Generally, patent applications first filed on or after March 16, 2013 will be examined under the First-to-File system.

While March 16, 2013 is still several months away, the impending changes will impact decision-making for provisional applications filed on or after March 16, 2012. Although there is still a one-year window for formalizing the provisional application, it may be desirable to formalize by March 15, 2013 in order to remain under the current first-to-invent regime.

Once First-to-File takes effect, it will be beneficial to have all internal processes streamlined for quick and efficient disclosure of inventions to patent attorneys. Now is a good time to evaluate and improve those processes.

## Prioritized Examination – *Currently in effect*

For an additional \$4,800 fee (\$2,400 for small entities), applicants can file a request to have their application examined out of turn, and the U.S. Patent Office is striving for a final disposition of the application within one year of the request. In the initial five months of this program, nearly 60 applications have been allowed and over 900 applications have received first Office actions.

## Post Grant Review

A new post grant review system will be created that will expand the ability to challenge the validity of granted patents at the U.S. Patent Office. The Act provides several options, outlined briefly below, to challenge patents, with each option having various timeframes and limitations as to the grounds for the challenge. The U.S. Patent Office has issued proposed rules for these proceedings, including the proposed Patent Office fees, which are perhaps the most noteworthy aspect of the proposed rules. The rules and fees should be finalized before September 16, 2012.



**Post Grant Review - Applies to patents issued from applications having an effective filing date of March 16, 2013 and later** – available during the first nine months after patent grant for challenges on nearly any ground. The proposed fee starts at \$35,800 and increases based on the number of claims for which post grant review is sought.

**Inter Partes Review - Effective September 16, 2012 and applies to all patents regardless of the application filing date** – available more than nine months after patent grant for adversarial challenges based on prior art patents and printed publications. The proposed fee starts at \$27,200 and increases based on the number of claims for which *inter partes* review is sought. This proposed fee is significantly higher than the current fee of \$8,800 for *inter partes* reexamination.

**Ex-Parte Reexamination - Current ex parte reexamination provisions remain effective** – available anytime after patent grant for non-adversarial challenges based on prior art patents and printed publications. The proposed fee is \$17,760, which is significantly increased from the current fee of \$2,520.

**Supplemental Examination – Effective September 16, 2012 and applies to all patents regardless of issue date**

This provision allows a patent owner to ask the Patent Office to correct, consider, or reconsider information for an issued patent. For example, a request for supplemental examination might be used to have a piece of prior art that was not considered during prosecution of the patent considered and made of record. The patent owner need not assert that the new information raises a substantial new question of patentability. Information in the request is not limited to patents and printed publications. A fee of \$7,000 is proposed for requesting supplemental examination. If the Patent Office determines there to be a substantial new question of patentability, an additional \$20,000 fee will be charged for the ensuing reexamination. The patent cannot later be held unenforceable on the basis of information submitted in the request.

**Transitional Post Grant Review for Business Method Patents – Effective September 16, 2012 and applies to any business method patent regardless of issue date**

This provision requires the U.S. Patent Office to issue regulations that establish a transitional post grant review proceeding for the review of the validity of business method patents. Petitions for post grant review under the transitional review proceeding can only be filed by persons who have been sued for infringement or have been charged with infringement of the patent for which review is requested. The currently proposed Patent Office fee for this review, which has not been finalized, starts at \$35,800 and increases based on the number of claims for which this review is sought.

**Pre-issuance Prior Art Submissions by Third Parties – Effective September 16, 2012 and applies to any patent application regardless of filing date**

A third party will be able to submit prior art publications for consideration during prosecution of an application if the prior art is submitted timely. These submissions can be made anonymously. The third party will have until the later of (1) six months after the date of publication of the application; or (2) the date of the first rejection. If a notice of allowance is issued before either of the foregoing events, the third party will no longer be able to submit prior art. Therefore, third parties should not delay in submitting relevant prior art. Consideration should be given to establishing regular patent publication monitoring of key



competitors and technology areas. The proposed Patent Office fees for this procedure appear reasonable relative to other proposed fees, with no charge for a first submission of three or fewer prior art documents. The proposed fee for submitting every ten additional prior art documents is \$180.

#### **False Marking – Currently in effect**

The Act no longer allows any person to bring a false marking lawsuit under 35 U.S.C. Section 292. Rather, false marking lawsuits will be limited to those filed by the United States or by a competitor who can prove a competitive injury. Also, marking a product with an expired patent that covered the product is not false marking. This change applies to any lawsuit pending on or after the date of enactment.

#### **Virtual Marking – Currently in effect**

A patent article can be marked with the word “patent” together with an address of a posting on the Internet that associates the patented article with the number of the patent.

#### **Prior User Defense – Currently in effect and available to all patents issued on or after enactment**

The Act provides a defense to infringement based on prior commercial use if the accused infringer can show a reduction to practice and commercial use at least one year before the effective filing date of the asserted patent.

#### **Tax Avoidance Strategies – Currently in effect**

Tax avoidance strategies are defined as within the prior art for both existing patents and pending applications upon enactment of the Act. In other words, tax avoidance strategies are not patentable and patents directed to tax avoidance strategies are not enforceable.



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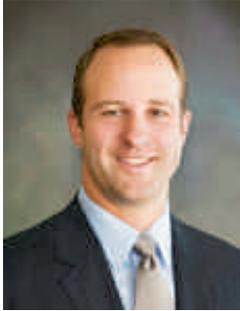
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Mr. Lynch has served as corporate counsel to a variety of multinational clients and has assisted in structuring, negotiating and integrating acquisitions in North America and Europe. Mr. Lynch has also represented national, regional and local clients in a variety of other corporate transactions, including public offerings, private placements, corporate financing, venture capital financing and corporate governance. Mr. Lynch also represents early stage and emerging growth companies and investors in corporate structuring and financing. Mr. Lynch has negotiated numerous license agreements and equity arrangements with spin-offs from major research institutions, including the University of Wisconsin-Madison, University of Chicago and Medical College of Wisconsin.





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