If You Snooze, You Lose

Protecting Creativity

By Michael B. Stewart

Intellectual property (IP) is a product of the mind and human intellect. The U.S. Constitution expressly provides for the protection of creativity "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."[1] According to one study, IP-intensive industries accounted for more than $6 trillion in 2014, or approximately 38 percent of the U.S. gross domestic product at that time.[2]

There are four basic forms of IP. When an idea is first created but not disclosed to others without a duty to maintain its confidentiality, it is a *trade secret*.[3] When the idea is fixed in a tangible form, it is subject to *copyright*.[4] When the idea is put to practical use, it can be the subject of a *patent*.[5] Finally, when a service or product is sold, its source identification becomes a *trademark*.[6]

Investing intellectual and monetary capital to protect creativity transforms something intangible into a tangible asset that can be treated like any other asset, including using it in bartering, licensing, financing, and even ownership transfers. Properly identifying, securing, and advancing IP protection of creativity helps enterprises accomplish their business goals, and in many industries has become more valuable than hard assets such as factories and equipment.

Trade secrets

A trade secret protects information that is maintained as confidential and has economic value because it is a secret.[7] A trade secret can include a formula, data, pattern, compilation, program, device, method, technique, or process.[8] Examples of trade secrets include:

- Business, customer, and vendor data and lists
- Pricing/discount information
- Manufacturing processes, formulas, and recipes
- Marketing/business strategies
- Sales projections and target markets
- Software code unless it is publicly available
- Mobile health analytics

For something to be a trade secret, it must not be generally known; it only makes sense to maintain a trade secret if it derives independent economic value from not being known and is not readily ascertained.[9] For example, if it can be reverse engineered, it is most likely not worthy of protection.

To maintain a trade secret, reasonable efforts must be shown to prevent its public disclosure.[10] As long as it stays confidential, a trade secret may be maintained indefinitely. There is no registration requirement. On the other hand, the creator must take steps to maintain confidentiality and limit access to only those individuals who need to know the trade secret. The trade secret should be restricted, and individuals who have access should sign either a nondisclosure or confidentiality agreement, or their obligations should be defined in an employment contract. Finally, any written material pertaining to the trade secret should be marked as proprietary.

The 2016 federal Defend Trade Secrets Act allows an owner to sue in federal court when its trade secrets have been misappropriated.[11]

Copyrights

Copyrights protect an author's original expression that is fixed in a tangible medium such as paper or a computer. Ideas are not copyrightable. Only the expression (not limited to a verbal expression) of ideas is protectable under copyright law.[12]

Original works of authorship include literary, dramatic, musical, artistic, and certain other intellectual works. Copyrighted materials include:

- Analytic data and graphs
- Patient instructions
- Policy standards
- Works of art and music
- Software code

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A trade secret protects information that is maintained as confidential and has economic value because it is a secret.

A patent allows its owner to prevent others from making, using, selling or offering to sell, or importing devices covered by the claims of the patent.

A copyright is created as soon as creativity is fixed in a tangible medium that is sufficiently stable and permanent to allow the work to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. Copyrights may be enjoyed for many decades, but eventually expire.

To have a copyright, however, the work must be original. This means that the work originates from the author. Even if works are identical, each is entitled to copyright protection if created independently. Moreover, the work need not have literary or artistic value, but must have some minimal degree of creativity.[13]

If a copyrighted work is a "work made for hire"—such as a work prepared by an employee—then there is a single author, such as the company for whom a work was created. If an independent contractor creates a work, the company should obtain a written assignment of the copyright, including language preventing the contractor from seeking reversion of the copyright in the future.[14]

To obtain damages for copyright infringement, including potentially significant enhanced statutory damages and attorney fees in the case of willful infringement, it is important to register a copyright with the U.S. Copyright Office within three months after publication or before infringement begins.[15]

Patents

Unlike copyrights, patents protect ideas and their practical implementation.[16] Most applications are prepared and filed with the U.S. Patent and Trademark Office by attorneys who have been subjected to a separate vetting and examination process, including satisfying certain technical educational requirements.[17]

Utility patents protect new and useful processes, machines, articles of manufacture, or compositions of matter.[18] A utility patent cannot be obtained on any item in its natural state or as it occurs in nature.[19] Design patents protect ornamental features for devices and user interfaces.[20]

Utility patents typically last up to 20 years from the original filing date while design patents usually last up to 15 years from the date of grant.[21] To obtain any scope of protection, patents must undergo a full registration process including substantive examination.[22] If successful, the registration process averages generally at least two years to complete after an application is filed, with utility applications taking longer to examine than design applications.[23] A patent may only be enforced upon grant.[24]

A patent allows its owner to prevent others from making, using, selling or offering to sell, or importing devices covered by the claims of the patent.[25] It does not, however, necessarily give its owner the right to make, use, or sell his or her invention (e.g., a product may be covered by multiple patents to different owners).

As with copyrights, it is important to control ownership of all patent assets. Employee inventors typically assign their rights for each patent application by way of a separate written agreement even if their employment agreement provides for assigning all IP.

A patent application undergoes a formal examination at the U.S. Patent and Trademark Office. An examiner specializing in the technology to which the invention pertains compares the application's claims setting forth the metes and bounds of the invention much like a deed for a piece of real estate. If the application is rejected, the applicant may amend the claims or explain why the application is patentable. If the process is successful, a patent is ultimately granted. In the United States, historically approximately 60 percent of all applications filed achieve patent status when reviewing historic patent data available from the Patent and Trademark Office.[26] One study from 2015 suggests that the percentage of applications granted patent status between 1996 and mid-2013 is lower.[27] Yet another article notes the 60 percent historic rate and states that while patent approvals have been rising, this does not necessarily mean more innovation.[28]

An invention must be new and not previously known by others and not be obvious to others at the time of invention.[29] In the case of utility applications, the invention must have a practical purpose. Additionally, a patent application must give a sufficiently clear explanation of the invention to enable a person of ordinary skill in the art to which the invention pertains to make and use the invention without undue experimentation.[30] An inventor must also disclose the best method known for carrying out the claimed invention at the time of filing.[31] Finally, it is essential to disclose the known pertinent prior art (e.g., articles, pictures, gene code sequences, diagrams, and earlier patents).[32]

For patent protection, the United States is like most of the rest of the world, having changed from a "first to invent" to a "first to file" schema, but unlike other countries, the United States provides a limited and restricted grace period.[33] Thus, one should file early.

It is possible to file a specialized patent application called a *provisional application* before filing a utility application.[34] A provisional application acts as a placeholder for a utility application, which must be filed within one year of the provisional application. Never examined, a provisional application may be informal and in some cases can be filed shortly before presentations are made to a potential customer who refuses to sign a nondisclosure agreement. There is a danger, however, of losing the filing date if the provisional application does not adequately disclose the inventive concept of the utility application when it's filed

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later. Thus, informal provisional applications should be filed judiciously (e.g., when an immediate public disclosure is necessary).

Finally, once a patent application is filed, it is permissible to use the designation "patent pending" in relation to a product or process until the patent is granted or the application abandoned. Once a patent is issued, it is crucial to mark any product with the patent number or use virtual marking to maximize the possible damages available for infringement.[35]

Trademarks

A trademark is any word, name, symbol, or device used to identify and distinguish goods and services and to indicate their source. It helps guarantee and maintain a demand for the product or service and is often used as a marketing tool to build a brand, differentiating one source from another.[36] Trademarks include:

- Word marks such as CHEVROLET® (US Trademark Registration No. 1667108)
- Logos such as the CHEVROLET bowtie chevron ® (US Trademark Registration No. 1661628)
- Slogans such as FIND NEW ROADS® by CHEVROLET® (US Trademark Registration No. 4700290)
- Colors such as pink fiberglass insulation (US Trademark Registration No. 1439132)
- Sounds such as the NBC® chimes (US Trademark Registration No. 0916522)
- Smells such as one associated with PLAY-DOH® modeling compound (US Trademark Registration No. 5467089)
- Trade dress such as a distinctive restaurant layout (US Trademark Registration No. 4170356)[37]

Some types of trademarks are much more difficult to register than others, with colors, sounds, and smells being among the most challenging because they can never be inherently distinctive.[38]

A federal registration gives additional rights including constructive notice to the public of the registrant's claim of ownership of the mark and the exclusive right to use the mark nationwide (subject to preexisting common-law rights in a limited geographic area) in connection with the goods or services listed in the registration.[39] Enhanced damages including attorney fees may be available if there is willful infringement.[40] While federal trademark registrations must be renewed regularly, it is possible to maintain trademark protection indefinitely.[41] Registrations are granted on a first-come basis for specific goods or services; therefore, a delay in filing may result in a loss of potential rights.[42] When a trademark has a federal registration, it should be identified with ®.[43]

Finally, domain names or social media handles have become an extremely important component to trademark protection. Registering them should be done concurrently with seeking a trademark registration.

United States Supreme Court rulings

Recent United States Supreme Court rulings highlight the importance of IP:

- *SCA Hygiene v First Quality Baby Products*: Patent owners may allow patent infringement damages to accrue up to the full six-year term before suing.[44]
- *TC Heartland v Kraft Foods*: Patent infringement litigation venue is limited to either the state of incorporation or where the defendant has a regular place of business.[45]
- *Impression Products v Lexmark*: The first U.S. sale of a patented article exhausts patent rights.[46]
- *Oil States Energy Services, LLC v Greene's Energy Group, LLC*: A patent is a public right, not a private right.[47]
- *Matal v Tam*: Offensive trademarks can be federally registered.[48]
- *Athletica v Varsity Brands*: Surface decorations on a cheerleader uniform may be protected by copyright.[49]

Conclusion

It is important to protect creativity as soon as practicable or it may be lost. Trade secrets or the registration benefits of patents, copyrights, and trademarks provide a significant competitive benefit in the marketplace and the ability to control how secured creativity is used and by whom. ■

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ENDNOTES

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