

Best Practices for Clients with Intellectual Property

By David Simonelli

A client or prospective client comes to you with something intangible that is valuable to him or her. The client is interested in protecting this asset to either prevent others from taking advantage of it or monetizing the asset in his or her business. Before you can counsel your client on their options, it is important to understand some foundational information, because early missteps can be costly for your client and for you.

DOT is an acronym for the three areas you know to counsel your client; it stands for “disclosure,” “ownership interest,” and “type of intellectual property.” In my opinion, DOT also reflects the topics in order of importance. This article, however, discusses them in reverse order.

Type of intellectual property

Your client has brought you something to review that has value to him or her — it is an asset to your client. If that something cannot be touched, held, stood on, or lived in, it is intangible. Intangible assets are protected by intellectual property rights established by the government and common law. An intangible asset is commonly called intellectual property (IP).

Patents

A person and entity are entitled to protect their intellectual property by a utility

patent if it is a “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof....”¹ The patent protects things that are functional. For software, which is admittedly functional, protection is available if the method created by the software passes a machine-or-transformation test, although this two-pronged test is not necessarily the only measure of patentability.²

While not necessarily functional, if your client developed a new plant and has asexually reproduced it, the plant may be patented.³ Also, if your client invents a new, original ornamental design for a manufactured article, it can be protected by a patent.⁴ While utility and plant patents have enforceable lives of 20 years from when it is filed,⁵ a design patent expires 14 years from the date the patent is granted.⁶

Copyrights

Non-functional works are protected by copyright. Novels, manuscripts, paintings, sculptures, blueprints, and music are all types of copyright-protectable creations.⁷

Trade secrets

Anything can be protected by trade secret. However, once the creation is out in

the public where it can be reviewed, reverse engineered, and benchmarked, it will likely lose its status as a trade secret. Trade secret protection is a good tool to employ when your client develops a product and keeps that product out of the public eye. Trade secret protection is especially good for recipes, ingredients (to the extent you can keep those confidential), unique manufacturing steps, source code, and information such as client lists. Trade secrets are governed by both state law — Michigan has adopted the Uniform Trade Secrets Act⁸ — and federal statute.⁹

Trademarks and service marks

If your client has developed a name, brand, or logo to be associated with a good or service, protection is provided by common law and federal law.¹⁰

Ownership interest

The O in DOT, ownership interest, is a seemingly innocuous issue that can become thorny. Early in discussions with your client, you need to determine if another person or entity owns some or all of the intangible asset. Did your client develop this invention while employed to work on tasks like the one resulting in the intangible asset?

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If so, the employer may have a shop right to the intangible asset, which may include a non-exclusive right to use the asset.¹¹

In the shop-right situation, ownership is not an issue, but economic viability may be. Is this ownership issue addressed in an employment contract or employee manual? Care must be taken in reviewing these documents; statements of future intentions to assign intellectual property do not affect present automatic assignments of title for IP.¹² The converse issues arise if your client is an employer and has not obtained an assignment or present contractual obligation from the employee for assignment of all rights to intellectual property.

It is important to understand that when one party transfers any right or title in an intellectual property to another, it must be in writing.¹³ It is also advisable to record the assignment with the appropriate office to provide notice of the transfer of rights to potential subsequent purchasers. The United States Patent and Trademark Office and the U.S. Copyright Office both record transfers of interest in their respective areas.¹⁴

Another issue related to ownership is when a supplier sells a product to another manufacturer. The terms and conditions accompanying a purchase order may create a contractual obligation to assign any IP developed to the other party.

Finally, determine if there are agreements regarding an activity that results in creation of an intellectual property. If such agreements exist, they may contain terms dictating ownership rights and rights to use the IP. It is important for the client to understand its legal position — the client may be protecting an intellectual property only to learn it is contractually obligated to assign those rights to another party.

While not an issue of ownership, IP use may be prevented if your client entered into a non-disclosure agreement or a confidentiality agreement. Say your client has intellectual property that builds on or improves a technology revealed to them via a non-disclosure agreement. Even though your client has improved upon that technology, it cannot be disclosed in a patent application because the underlying technology may be published by the United States Patent and

Trademark Office before the terms of confidentiality expire.

Disclosure

Finally, there is the D in DOT: disclosure. Disclosure relates to what your client has said to whom and which conditions were in place at that time.

Often, clients do not appreciate the significance of a disclosure and how the law treats it. In fact, disclosure helped form the U.S. Constitution:

“The Congress shall have Power To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries...”¹⁵

Our founding fathers understood that scientific progress and artistic creation were essential for the economy to grow. Growth would not occur if inventors and writers were afraid of losing their intellectual property to copycats.

While it was understood that a capitalistic society benefitted from new ideas, creations, and inventions, it was also understood that a person and/or entity must not be able to protect their rights long after the idea had been known and/or developed by others. Allowing those with ideas to assert ownership rights long after a public disclosure has been made would be just as chilling to capitalism as no protection whatsoever.¹⁶

Investments by entities relying on an old disclosure of an unclaimed technology would disappear if that technology could be later ripped out of the hands of those trying to develop and market it.

Regardless of the type of intellectual property your client has brought to you, there are ramifications if a public disclosure has occurred. First, ask whether a disclosure has been made to another person and/or entity. Approach this line of questioning a couple different ways; often, the client does not understand the legal significance or definition of a public disclosure. If a disclosure has been made, explore the nature of the disclosure. Ideally, the disclosure would not have occurred outside a non-disclosure or confidentiality agreement. If the disclosure was not made under the umbrella of a non-disclosure agreement or a confidential relationship (spouse, other counsel, etc.), it may be deemed a public disclosure. Regardless of the circumstances, it is best to collect all documentation reflecting the disclosure so you can determine whether it was confidential or public.

The second prong of disclosure analysis is determining when the disclosure was made. The expiration of rights in your client’s intellectual property are triggered in part by the date of disclosure. Obviously, the best scenario is that your client has not disclosed the intellectual property outside a confidential arrangement. Some rules regarding disclosures and when rights are lost are set forth below.

Type of Intellectual Property	Intellectual Property Bar Dates
Functional Invention	In the U.S., one year. ¹⁷ Outside the U.S., absolute bar to filing a patent application.
Plant	You can protect (file a plant patent application) up until when the plant leaves your property.
Design Element of Manufactured Item	In the U.S., one year. ¹⁸ Outside the U.S., absolute bar to filing a patent application.
Copyright	No bar to registration, but risk of a bar to statutory damages if published for more than three months. ¹⁹
Trade Secret	Absolute bar upon disclosure.
Trademark/Service Mark	No bar for disclosure.

Conclusion

With DOT in mind, your initial conversation with your client will help both of you understand which intellectual property rights may be available and who may have an interest in those rights if not entirely with the client. Knowing if and when a disclosure has been made will help determine whether any effort should be made in protecting the intellectual property. If protectable, understanding the ownership rights your client has vis-à-vis other potentially interested parties should be reviewed. The type of IP dictates how a disclosure may affect protection and what needs to be done going forward, which will help you docket appropriate filing due dates and concentrate on guarding what of your client's disclosure is protectable. ■



David Simonelli is a solo practitioner in metropolitan Detroit with a focus on intellectual property law. He assists clients with patents, trademarks, trade secrets, and copyrights. This assistance

extends from obtaining protections to enforcing them before various courts and the trial and appeal boards of the United States Patent and Trademark Office. Simonelli also helps clients with transactions involving intellectual property.

ENDNOTES

- 35 USC 101.
- Alice Corp v CLS Bank International*, 573 US 208, 221; 134 S Ct 2347; 189 L Ed 2d 296 (2014).
- 35 USC 161.
- 35 USC 171.
- General Information About 35 USC 161 Plant Patents*, US Patent and Trademark Office <https://www.uspto.gov/patents/basics/types-patent-applications/general-information-about-35-usc-161> [<https://perma.cc/VDT9-25SG>] (website accessed September 11, 2021).
- 35 USC 173.
- 17 USC 102.
- MCL 445.1901 *et seq.*
- 18 USC 1836 *et seq.*
- 15 USC 1051 *et seq.*
- A & C Engineering Co v Atherholt*, 355 Mich 677, 685; 95 NW2d 871 (1959).
- Omni Medsci, Inc v Apple, Inc*, opinion of the United States Court of Appeals for the Federal Circuit, issued August 2, 2021 (Case Nos. 2020-1715 and 2020-1716).
- For patents, 35 USC 261. For trademarks, 15 USC 1060(a)(3). For copyrights, 17 USC 204.
- Id.*
- US Const, art 1, sec 8, cl 8.
- With regard to patents, "[I]t is the unquestionable right of every inventor to confer gratuitously the benefits of his ingenuity upon the public, and this he may do either by express declaration or by conduct equally significant with language — such, for instance, as an acquiescence with full knowledge in the use of his invention by others; or he may forfeit his rights as an inventor by a wilful or negligent postponement of his claims, or by an attempt to withhold the benefit of his improvement from the public until a similar or the same improvement should have been made and introduced by others." *Kendall v Winsor*, 62 US 322, 329; 19 L Ed 165 (1858).
- The one-year period after disclosure does not allow an inventor to rely on the disclosure date (or an invention conception date) as a priority date. A third party's patent application filed before your client's patent application may prevent your client from obtaining patent protection. 35 USC 102(a)(2).
- Id.*
- 17 USC 412.

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