U.S. Intellectual Property Law:
A Brief Introduction

LeClairRyan

Thomas M. Pitegoff
885 Third Avenue
Sixteenth Floor
New York, New York 10022

Phone: 212.634.5032
tom.pitegoff@leclairryan.com
U.S. INTELLECTUAL PROPERTY LAW: A BRIEF INTRODUCTION

Intellectual property is important to all businesses. Intellectual property is an asset. For some companies, it is their most valuable asset. A basic knowledge of intellectual property law is the first step toward developing, protecting and exploiting that asset. Written contracts dealing with intellectual property also play an essential role.

Intellectual property law falls into four categories – trademarks, copyrights, patents and trade secrets.

▪ Trademarks are important to any business. A trademark is a brand. It’s the words or designs that identify your company when it sells anything.
▪ Copyright law protects creative works. In the business context, this includes items like advertisements and operations manuals.
▪ Patents protect inventions.
▪ Trade secrecy law protects confidential information that is valuable to your business.

TRADEMARKS

A trademark is a brand of product or service. What do you call your products or services? A trademark typically consists of a word or words or a logo or design that may or may not include words.

In the U.S., trademark rights can arise under common law from use of the mark alone, even without registration. A business can secure additional rights by registering its trademarks with the U.S. Patent and Trademark Office (USPTO). Federal trademark registration in the U.S. gives a trademark owner far stronger rights than common law trademark rights. For example:

▪ Federal trademark registration protects the owner’s rights throughout the U.S. Common law rights for an unregistered mark exist only in the geographic area in which a mark is used.
▪ It is far easier to prove infringement when your trademark is registered.
▪ It is easier to deter others from using a similar mark in the first place because the marks can be searched easily on the USPTO website.
▪ Federal registration allows the owner to sue for infringement in federal court.
▪ Federal registration permits the owner to record its mark with U.S. Customs and Border Protection to help prevent importation into the U.S. of infringing goods.

Trademark rights generally accrue to the first user of the mark. A prior user can oppose a company’s application for trademark registration. A prior user use can also seek cancellation of the mark within the first five years after it has been registered. After five years, the registrant normally files a sixth year affidavit affirming continuous use of the mark. The mark then becomes “incontestable”.

Trademark registration lasts for ten years. The trademark owner can renew the registration every ten years by filing a declaration of continued use and an application for renewal and paying the required fee. Registration can be renewed indefinitely, as long as the owner can provide evidence of continued use of the trademark.

Protecting your trademark rights entails more than the required filings. Here are things you can do to strengthen your trademark rights:

▪ Use the mark continuously in interstate commerce.
▪ Control the quality of the goods or services sold under the mark.
▪ When using a word mark, the noun describing the good or service that you are selling should immediately follow the mark. The trademark serves as an adjective.
▪ Police improper use and infringement.
▪ Use the “R” in a circle registration symbol to inform the world of the federal registration.
Stopping infringers is important. If a company fails to stop others from using its registered trademark, the can become generic and lose its protection.

**Selecting a New Mark**

When you select a new trademark, keep the following tips in mind:

- The best trademark is “strong”. The mark is distinctive. It is totally unlike any mark used by others for the similar goods or services. This gives you a wider scope of protection.
- A mark cannot be descriptive. You cannot stop others from using the English language to describe a competing product or service.
- The mark must be available. It must not be “confusingly similar” to an existing trademark used in conjunction with similar goods or services.

A U.S. trademark application is more than a simple filing. A trademark examiner will review the application to be sure that the mark is registrable, and may deny registration or require changes in the application. The application procedure with the USPTO can last a year or more.

**Trademark Treaties**

The [Paris Convention](1883) allows a trademark applicant in one country to file corresponding applications in the trademark offices of other member countries within six months after the original filing and obtain the date of the initial filing as a priority date.

The [Madrid Protocol](1989) is a centralized international trademark registration and maintenance system administered by the World Intellectual Property Organization (“WIPO”). This can be a cost-effective way to register a mark in multiple countries. One disadvantage is that if the home country registration is cancelled in its first five years, the rights granted by the international registration are extinguished.

**COPYRIGHTS**

Copyright law protects original, creative expression in the tangible form of writings, films, music and other works of art. In business, copyrights protect creative works such as advertising materials, trade publications, label designs, manuals and photographs. Copyrights also protect computer software and databases.

Copyright law protects the expression, not the idea. In this sense, copyright law differs from patent and trade secret law. Copyright law protects against copying, not the function of computer code or the thought behind written words. U.S. copyright law gives the copyright owner the exclusive right to control the reproduction, distribution, public performance and display of the owner’s copyrighted works.

Copyright law protects creative works from the moment they are put in tangible form regardless of whether the author files with the U.S. Copyright Office or places a copyright notice on the work.

Copyright owners commonly place a copyright notice on their works. This is either the letter “C” in a circle or the word “Copyright” (or both) followed by the year of creation and the name of the owner.

Although federal copyright registration is not necessary to create rights, federal copyright registration is required before the copyright owner can bring a lawsuit for infringement.

When a work is created by an employee in the course of his or her employment, it is generally considered to be a work made “for hire”. The employer owns the copyright. Copyright protection for a work made for hire lasts 95 years from publication or 120 years from creation, whichever is shorter. Copyrights owned by an individual in the U.S. generally last for the life of the author plus seventy years.
Copyright Treaties

The Berne Convention (1886) establishes minimum standards for copyrights. The Berne Convention is administered by WIPO. Nearly 180 countries have ratified the Berne Convention.

The WIPO Copyright Treaty (1996) makes it clear that computer programs and databases are protected by copyright.

PATENTS

Patents protect rights in inventions. In order to have patent protection in the U.S., the USPTO must issue a patent for the invention. The application process is lengthy and expensive. But it gives the patent owner very strong rights. Enforcement of patent rights is also expensive.

A patent gives the owner the right to exclude others from making, using, offering for sale, selling or importing the invention. A patent owner can stop someone from using the owner's invention even if the second user independently came to the same invention. There is no need to prove copying.

In order to be patentable, an invention must be non-obvious and it must have a useful purpose. Laws of nature, such as mathematical formulas, are not patentable.

Generally, the term of a patent is 20 years from the date on which the patent was filed. This limited-term monopoly is intended to encourage inventors to file for patent protection, which entails publishing the patent when it is issued. This promotes further invention. Once the twenty-year patent term expires, patent protection ends and the invention is available for all to use. Trademark rights can continue, but competitors may enter the market under different brand names.

Patent Treaties

The Paris Convention establishes the priority date of the first patent filing. A company that files a patent application in any member country of the Paris Convention can file patent applications in other member countries within 12 months and claim the filing date of the first application as the effective filing date of the later applications.

The Patent Cooperation Treaty (PCT) (1970) streamlines the initial filing process in multiple countries. Within 12 months from an initial patent filing, the company or inventor can file an “international patent application” (sometimes called a PCT application) claiming the benefit of the earlier filed application under the Paris Convention. The company or inventor then has up to 30 months from the filing date of the original patent application to decide which other countries to patent.

TRADE SECRETS

A trade secret is information that has commercial value that is not generally known. A trade secret can be an invention, which may or may not be patentable.

Trade secrecy law protects trade secrets. Historically, trade secrecy law is state law, unlike trademark, copyright and patent laws, which are federal. This means the laws may vary from state to state, and access to federal courts is limited. Most state trade secret laws are modeled after the Uniform Trade Secrets Act (UTSA), so that differences are generally not material.

The UTSA defines a “trade secret” as information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

1. derives independent economic value, actual or potential, from not being generally known to the public or other persons who can obtain economic value from its disclosure or use; and
2. is the subject of efforts that are reasonable under the circumstances to maintain secrecy.

In addition to state trade secrecy laws, a federal criminal statute, the Economic Espionage Act of 1996, allows the federal government to prosecute anyone who engages in economic espionage or the theft of trade secrets.

The U.S. Congress is now working on legislation that would amend the EEA to create a federal private right of action for the misappropriation of trade secrets. On April 4, 2016, the U.S. Senate unanimously passed the Defend Trade Secrets Act of 2016. The House is now considering its counterpart bill with strong bipartisan support and the Obama Administration has indicated that it supports the legislation.

One important advantage of protecting information as a trade secret is that a trade secret can last as long as the owner takes the appropriate steps to protect their secrecy. Protecting trade secrets requires an ongoing effort. Once the information goes into the public domain, trade secrecy protection can be lost forever.

Bear these tips in mind to protect your company’s trade secrets:

- Prominently mark trade secrets as secret or confidential.
- Disclose secrets only to the extent necessary. Reveal only what you need to reveal.
- Where secret information must be shared, obtain confidentiality agreements where possible.

Patents vs. Trade Secrecy

Inventions can be protected either by patent or trade secrecy law. You have a choice. Here are some things to keep in mind when deciding which type of protection to use:

- Patents cost more, especially if you file in several countries.
- It may take years to obtain a patent. In the fast moving world of technology, the invention may be obsolete by the time the patent issues.
- Patents give very strong protection against infringers.
- Patents must be published and they have a limited life.
- Trade secrets can last forever if properly protected. But they can be lost in an instant.
- There is no federal filing for trade secrets as there is with copyrights, trademarks and patents.
- Patents make sense where the invention can easily be copied or reverse engineered.

CONTRACTS

A confidentiality agreement (also called a nondisclosure agreement or “NDA”) is an important tool to protect trade secrets. An NDA can protect more than just trade secrets. Financial information, for example, or personally identifiable information, may not be a trade secret under the law. But you can define it as confidential information in an NDA. NDAs can also be used to protect software code, marketing plans and strategies, customer lists, methods of doing business, and more.

A contract is also an essential element in defining ownership of intellectual property developed by an independent contractor. Under the copyright laws of the U.S. and of most countries, the creator of a work is the owner, with certain narrow exceptions, including employees creating copyrightable works as part of their jobs. This can only be changed by a contract between the parties. If you engage a consultant to create advertising or software code for your business, you should have a contract that states that the work is “for hire”. The contract should state that if the work is determined not to be for hire, then the consultant assigns all rights in the work to your company.
Contracts with independent contractors should state that the company owns intellectual property developed by the contractor and should state the contractor’s obligation not to disclose the information. Employee policies should similarly state the company’s ownership of intellectual property developed by the employee and the employee’s obligation not to disclose trade secrets and other confidential information. Contractors and employees should also have no right to use such information except for the benefit of the company.

A license agreement is a tool that enables the owner of intellectual property to exploit its commercial potential. A franchise agreement is one type of license agreement, typically granting rights to trademarks and trade secrets. One key element of any trademark license agreement is quality control. To protect the mark, the licensor or franchisor must require the licensee or franchisee to meet its quality requirements.

About the author

Tom Pitegoff is counsel at the national law firm LeClairRyan, where he advises companies in the fields of franchise law, intellectual property law, technology, licensing, and U.S. and international business transactions. Tom acts as franchise counsel, outside general counsel and U.S. counsel for franchisors, technology companies and a variety of other businesses. Tom was recognized by Best Lawyers in America as the 2015 Franchise Law “Lawyer of the Year” for New York, New York.

Follow Tom as he covers a wide range of issues in franchise law for the firm’s blog, Franchise Alchemy.

For questions or comments, he can be reached directly by phone at 212.634.5032 or by email at tom.pitegoff@leclairryan.com.