Chapter 1

Marshalling Your IP Tools

In This Chapter

- Understanding the difference between IP assets and IP rights
- Perusing patents and what they can protect
- Checking out copyrights and their applications
- Taking a look at trademarks and related commercial names
- Looking at trade secrets and their uses
- Making money with your IP rights
- Enforcing your IP rights in court

Welcome to the world of intellectual property — which is abbreviated IP. If you've created, invented, or named something that you're selling, you already have intellectual property. And that property could be quite valuable. What if you'd invented the Segway scooter or written the first *For Dummies* book? Wouldn't you like to be able to cash in on it? Exploiting your IP assets for your own financial gain and, at the same time, pursuing those who may infringe on your precious but fragile rights to those assets (called IP rights) is what this chapter and, in general, this book are all about.

Defining Intellectual Property

What is intellectual property? Although we've encountered many true and effective definitions — including *information that has commercial value*, *a proprietary product of the mind*, and *things protected by patents, copyrights, and trademarks* — none of them is quite complete. Here's the one we like best:

Intellectual property is intangible creations of the mind that can be legally protected.

Because IP has no physical form, we can give you a better idea of what it is by providing examples of what it isn't. Intellectual property is not

- The new and wondrous machine that you developed in your garage, but the invention embodied in that machine.
- The marvelously efficient cholesterol-reducing pill you see advertised on TV, but the formula and the process used in manufacturing that pill.
- The physical portrait that an artist made of you, but the aesthetic expression of the artist's talent reflected by the painting.
- The riding mower you reluctantly start up every Saturday, but the brand name that embodies the reputation of the product and its manufacturer.

Now, if you'd be so kind as to refer back to our earlier, scintillating IP definition, we'd like to expand on it. Intellectual property is made up of two components: assets and rights.

Assets

IP *assets* are intangible creations, such as the invention, the formula and process, the expression of artist's talents as reflected in a painting, and the brand name.

Rights

IP *rights* are the legal protections that secure each IP asset against its unauthorized use by others. One or more of the following legal protections can be used to secure IP rights:

- **Patents:** Obtaining a patent protects the invention from outright thievery.
- **Trade secrets:** Keeping a formula or manufacturing process confidential safeguards it against imitators.
- **Copyrights:** Holding a copyright shields artistic expression against copying by others.
- **Trademarks**: Adopting a trademark as a brand name keeps it and its market reputation yours and yours alone.
- **Contractual rights**: Licensing the right to use someone else's invention, for example, gives rights to the licensee while allowing the patent holder to profit from her invention through royalties.

A very short history of intellectual property

Although the origin of patents dates back to medieval Europe, the U.S. patent was invented by a bunch of short-breeched fellows in powdered wigs, mostly lawyers, who met in Philadelphia in the 1780s. However, incorporating IP into the laws of the United States was not a slam-dunk. Thomas Jefferson was viscerally opposed to all shades of monopolies, including patents. Ironically, our Jeffersonian Democracy was put in place in Philadelphia in the absence of the Sage of Monticello. At the time of the Constitutional Convention, Jefferson was minister plenipotentiary to France, busily courting the Parisian ladies (relax, by then he was a widower). It is rather Alexander Hamilton who deserves credit for including a patent and copyright clause in Article II of the U.S. Constitution.

Some IP rights — copyrights, trademark rights, and trade secrets in particular — attach themselves automatically upon the creation or use of the IP assets without your ever having to lift a finger or spend a cent. Obtaining other IP rights — patents, specifically — requires you to put up a pretty good fight and spend plenty of money.

What happens when you don't protect your IP assets? Sorry, Charlie, but an unprotected IP asset is up for grabs — anyone can copy it, steal it, or change it for the worse (possibly damaging your good reputation). The bottom line is that your unprotected IP will fatten the bad guy's bottom line.

But there's more to IP assets and rights than mere talk of patents, copyrights, and trademarks, and that's what this chapter is all about. First of all, you must verify that you in fact own that IP asset you want to protect, you have to make sure it's original, and you must know how to secure all the IP rights that can apply to it. And last but not least, you have to know how to get the professional advice you need. Curtain, please.

Exploring the Patent Process

We may as well start with the most well-known (though not the most practical) form of IP protection: patents. A *patent* is a temporary legal right granted by the government as a reward for a unique invention, giving the inventor, for a few years, a way to keep others from stealing the fruits of his or her labor — the invention.

While we're on a roll, how about another definition? Patent law defines an *invention* as a technological advancement that is useful, new, and isn't obvious to a person with ordinary skill in the field of technology. Inventions can take many forms, from a machine or device to a method or process; from a new composition to a new use of an old product; from a man-made organism to a

new plant created with or without sexual fertilization (yes, most plants have sex, too). See the sample patents on the CD (documents B1–B19).

If you're wondering whether your latest and greatest gadget idea actually fits the bill of a bona fide invention, check out Chapter 5, which details the types of patents and the inventions covered by each.

Obtaining a patent

To get a patent from the United States Patent and Trademark Office (USPTO), you must file an elaborate application that completely describes your invention. Don't worry — we cover the nuts and bolts of this application in Chapter 8. The USPTO rigorously examines your application — see Chapters 9 and 10 for all the gory details. If you pass the test, you're granted permission to pay a hefty fee so those nice people at the USPTO can afford to print your patent and take a long, well-deserved summer vacation. After all, they think they earned it by making you sweat blood for the last two years. Chapter 11 covers that info, minus the vacation itinerary. Yes, two years is typically the *minimum* amount of time it takes to get your application approved — if, of course, the moon is right and the gods are with you.

Make no bones about it, the patent process is costly in terms of both time and money, not to mention blood, sweat, and tears. So if you're thinking you may want to head down this road, you need to be sure that a patent is indeed the best path for protecting your IP. Chapter 6 provides you with other options and an exercise to help you decide whether a patent's the right choice. The first stop in your journey will likely be to conduct a patent search before pouring a bunch of money into a possibly doubtful application — Chapter 7 provides a road map for that side trip.

Putting a patent to good use

Emblazoned with fancy lettering and a big, shining seal with blue ribbons, a framed patent makes an impressive conversation piece on your living room or office wall.

Oh yeah, you can also use it to threaten imitators with lawsuits if they're using and abusing your invention. Basically, a patent is a license to sue someone. If the copycat answers with an obscene gesture, you can mortgage everything you own down to your grandfather's dentures and file an infringement lawsuit. If the Force is with you, the litigation goes well for your side, and your adversary is flush with greenbacks, you'll make a bundle. You can

also exploit your patent by selling it, or licensing (renting) it in exchange for royalties. Find out what else you can do with your patent in the section "Putting Your IP to Work at Home and Abroad" at the end of this chapter.

Yes, a patent has teeth, but those teeth come at great expense. So looking beyond patents at your other IP rights is a good idea, too. You can also buy insurance policies that cover some of your litigation costs. We discuss that issue in detail in Chapter 21.

Copyrighting Your Creations

Although derived from the same constitutional mandate as patents, copyrights resemble them only superficially. A *copyright* is a temporary right giving a creative person exclusive control over the use of an original work of authorship. And what is that? An *original work of authorship* (OWA) is a textual, graphic, plastic, musical, dramatic, audio, or visual creation.

Interestingly, even if pretty much the same thing has already been done before, you can still obtain a copyright if your work wasn't copied from or influenced by the pre-existing work. For example, just think of how many books have recounted the life stories of the Kennedys. Don't forget: Unlike a patent, a copyright protects the *form* in which an idea or concept is expressed, not the idea or the concept itself.

Copyright basically doesn't extend to abstractions or to anything technical or functional. For example, an idea for a new TV program isn't protected by copyright. But the way the idea for the show is developed and played out is protected. The copyright on a cookbook prevents you from copying the way the various recipes are expressed, selected, and arranged in words or images. But it doesn't prevent you from freely using the very same recipes and even incorporating them step by step into your own cookbook (because the steps are actually a technical process) as long as you don't express them in the same style, compile them in the same order, or arrange them in the same format. We go over this idea/expression distinction in great detail in Chapter 12.

Lassoing a copyright

Check this out: After you've created an original work of authorship — such as the doodling you decorated your geometry book with while Miss Squareroot explained the quadrature of the circle — all you need to do to get it copyrighted is relax and have a glass of chardonnay to our health.

Computing copyrights

The copyright law is always 10 or 20 years behind technology. In their attempt to catch up, Congress has characterized computer programs as copyright-protectable writings. This legislation gives programmers and the entire software industry an effective security tool. In a computer program, the choice of words or lines of computer code and their respective positions in an instruction represent the creative portion of the program and are critical to its operation. The fact that others cannot copy this specific language greatly expands the scope of copyright protection for software. We explain in Chapter 12 how the courts separate the unprotectable, functional aspect of the program from the protected way its various components are expressed. Although patents also are available to protect innovative processes within a given computer program, the industry relies heavily on copyrights to protect its software.

Seriously, that's it! Copyright attaches automatically as soon as the work is shown in a perceptible and reproducible form without the need for any formality. That means that as soon as you print out your great American novel, it's already copyrighted. That's a big advantage over patents. If, however, you want to sue someone for infringement — or worse yet, someone sues you — you need to prove that it's actually your original work. That's why you should make it official and apply for a registration of your copyright with the Copyright Office, submitting a copy of your creation as proof of your authorship. You'll find an example of copyright registration in Chapter 14.

Nailing the bad guys

You can use your copyright in much the same way you use a patent — to pressure and sue an infringer. Copyright litigation tends to be much less expensive than patent disputes.

Proclaiming Your Identity: Trademarks and Other Commercial Handles

Trademarks are only one species within a class of IP assets called *commercial identifiers* that you use to distinguish your company, product, or services from others. The three basic types of commercial identifiers (which we cover in more detail in Chapter 15) are as follows:

- **Company identifiers:** A company is identified by its legal name (for example, General Motors Corporation) and often by the logotype that adorns its buildings and letterhead (General Motors or the familiar blue-and-white GM emblem).
- **Service identifiers:** The services that a company offers to the public — such as automotive maintenance or fast-food restaurant services — usually are identified by a servicemark. It can be a word or phrase (Mr. Goodwrench, McDonald's), logotype (the golden-arched *M* you see on a ubiquitous fast-food chain), or the shape and decoration of a building (the KFC brand of restaurant service outlets).
- **Product identifiers:** Trademarks (brand names) are the most familiar product identifiers and can even take the form of a single letter, or a mere design or symbol, such as the swoosh mark on a popular brand of athletic gear. Any fanciful and nonfunctional characteristic of a product or package can act as a product identifier — for example, the ribbed bottle of a large soft-drink company or the pink color of a glass-wool insulation material. These nonfunctional characteristics often are referred to as *configuration, design marks,* or *trade dress,* which, like trademarks, can be registered at the state and federal levels.

Commercial identifiers constitute the IP rights that we consider to be most neglected, misunderstood, and underestimated by entrepreneurs in their new industrial, commercial, educational, or scientific ventures. Watching new businesses spend *lots* on money on iffy patent applications always puzzles us because they're obviously neglecting the wondrous marketing tools provided by good commercial identifiers.

Company image, product fame, or a reputation for providing quality service are critical aspects of a business that can benefit from and be greatly enhanced by the right choice and use of pleasant and motivating monikers, logos, and distinctive and attractive packaging. However, coming up with an identifier that's a hit with customers isn't easy, so we devote the whole of Chapter 16 to providing some insight in making such a selection.

Likewise, in Chapter 15 we detail all you need to know about the ins and outs of developing marks and names that the courts will protect. We also explain how the degree of protection awarded to company identifiers and other commercial names depends mainly on the distinctiveness of the name.

A great name can be the most valuable asset of a company. A name deserves a lot of attention and appropriate protective measures, such as federal registration and proper usage. But a great commercial identifier won't do you any good if it duplicates an existing identifier — so before you begin the registration process, discussed in Chapter 18, you'll want to do a search to make sure no one else is already using your brainchild (or something close). We explain trademark searches in Chapter 17.

Keeping It Under Your War Bonnet: Trade Secrets

In certain circumstances, keeping your invention secret can be as effective as obtaining a patent.

Kiss and tell only on a need-to-know basis. The best way to keep a commercially advantageous piece of information, such as a manufacturing method or customer list, away from your competitors is to take advantage of laws that protect trade secrets. A *trade secret* is a very important and inexpensive IP right. Don't let anyone in on a trade secret other than the people who necessarily need to know about it.

Not every type of commercially advantageous material can be safely and practically kept under lock and key. Whenever that happens to be the case, and you can't keep some information as a trade secret, then you need to rely on other types of IP rights — patents, copyrights, or trademarks — for protection.

In Chapter 4, we explain how you can implement a trade secret strategy and how the law provides for enforcement of trade secrets in case of negligent or intentional disclosures. We also discuss the trade-offs between patents and a trade-secret policy.

Let's Make a Deal: Looking at Contractual IP Rights

A specific category of legal contracts (explained in Chapter 20) are intended to deal with IP rights. They provide contractual IP rights to all parties. For example, a company may acquire the contractual right to manufacture a patented product while the inventor obtains rights to a percentage of the sales proceeds, called *royalties.* Even if you are not an inventor or computer programmer, you may acquire contractual rights to inventions or software that you can exploit in place of or in addition to their creators.

Similarly, after you acquire your patent, trademark, copyright, or commercial identifier, you can profitably sell or lease it to others. You can transfer your IP rights through an *assignment* (the outright purchase or sale of the IP right) or a *license* (an agreement allowing another individual or business to use your IP rights). For example, if you want to publish a book, you must either buy the copyright from the author using an assignment or obtain the author's permission to publish the work under a license.

When you hire employees or commission independent contractors to do a job for you, you can enter into written and signed agreements stating that any technological advancement or original work of authorship that results from their employment or commission belongs to you. This is often called a Proprietary Rights Agreement. See Chapter 13 for information on assigning and licensing copyrights and Chapter 15 for information about commercial identifiers.

The contract should always be in writing and be signed by all parties to the agreement.

You can also acquire contractual rights to intellectual property by buying a *franchise* for a specific type of business — fast-food and dry-cleaning franchises are among the more common ones. In Chapter 20, we explain how a franchise constitutes a classic and convenient way of exploiting a bundle of IP assets and related IP rights.

Putting Your IP to Work at Home and Abroad

You can use IP assets and rights in many ways. Developing and protecting your intellectual property assets and rights can give you an edge over the competition by discouraging unscrupulous competitors, developing new revenue sources, and increasing the value of your company. (We talk about each of these aspects in detail in Chapter 2.)

Because IP rights are rare exceptions to antimonopoly and antitrust laws and regulations, their use is strictly limited. When you misuse your teddy bear to beat your little sister, your mom confiscates the bear. The rules haven't changed with regard to IP rights. The usual penalty for an abusive misuse of an IP right, such as threatening someone who is not in fact infringing, is forfeiture.

When you take advantage of your IP assets within the confines of your own company, basically exploiting your own invention, you face little risk of running afoul of the law. However, when you're forced to use your IP rights against others outside of your company who infringe upon them, you need to be more careful. Trust your IP litigation attorney to know how to stay within the bounds of the law. Check out Chapter 3 to find out how to select and work with an IP professional. IP specialists, like any other attorneys, are bound by strict confidentiality obligations and are subject to discipline and loss of their license to practice if they breach these obligations. Therefore, you can reveal your most sensitive knowledge or information to your attorney. There's no need to make her sign a confidentiality or non-disclosure agreement because she's already bound by law to absolute discretion.

You'll be happy to know that almost all industrialized countries have IP laws that are roughly similar to the ones in the United States. Because acquiring a copyright doesn't require any application or other formality, you can readily defend and exploit your copyright all across the planet, at little cost.

By contrast, patents and trademarks require local applications and examinations in almost every foreign land, which we detail in Chapter 19. Application and attorney fees tend to be even higher abroad than they are in the United States, and proceedings can drag on for years. A foreign patent program is not for the fainthearted and requires substantial financial resources.