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INTELLECTUAL PROPERTY CHECKLIST FOR VENTURES IN THE NEW MILLENIUM

by

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1. **INTRODUCTION** We are in the Age of Information. To be profitable in the new millenium, management must control and direct the commercial exploitation of ideas, be they technical or otherwise. This article provides a structure for the businessman to start thinking about business needs in the Intellectual Property area. Intellectual Property ("I.P.") is intangible property generated from human intellect. It includes at least ideas protectable by the law of patents, trademarks, copyrights and trade secrets. Major corporations routinely use I.P. claims and lawsuits as competitive tools. You should carefully consider both the offensive and defensive use of I.P.
2. **INSURANCE COVERAGE FOR INTELLECTUAL PROPERTY** America is a litigious society. Despite the best of intentions, businesses often get entangled in costly legal disputes. If you can not afford the cost of litigation, you will likely lose the case regardless of the merits. Moreover, management can have personal liability. Corporate formalities give very limited protection because I.P. claims are tort claims, and can extend to the persons instrumental in directing the infringing conduct (sale, distribution, etc.). I.P. lawsuits are also very expensive. You should obtain insurance coverage for Commercial General Liability. Some, but not all, carriers offer such policies which give rather broad protection against I.P. claims by third parties. **CAVEAT:** most insurance brokers and agents, and even many insurance companies themselves, are not familiar with the fact that the policies they sell cover I.P. claims. So do not be surprised if your request for I.P. coverage is greeted by blank stares. A careful selection process is required. Coverage usually includes the cost of defense. Therefore you can choose to litigate the matter rather than settle. Most defense law firms selected by insurance companies do not specialize in I.P. Demand an I.P. specialist when litigation ensues. Heed the Chinese proverb: Keep the mountain green, and you don't have to worry about firewood. Don't get wiped out, get insurance.

INSURANCE CHECKLIST

1. Get a Broad Form Commercial General Liability policy if you do not have one; ask for multiple quotes and sample policies and compare the I.P. coverage.
2. Review the adequacy of your existing policy for I.P. coverage. Get help if you do not know how.
3. Umbrella (excess liability) policies giving greater protection (both in terms of dollars and in terms of scope of protection) are available for relatively small costs.
4. Carefully read the renewal riders your insurance carriers send you. They usually provide further restrictions in coverage. If you cannot live with the restrictions, you will need to get a new policy.
5. Insurance Carriers will now accept prior appointment of counsel for defense purposes, at the time you purchase or renew your policies. Take advantage of this, and ensure that you get the best representation in time of need.

3. TRADEMARK

For a small to medium-size business, trademarks are probably the most important form of I.P. A Trademark may be a word, symbol, design, or combination of them, a slogan, or other expressions in any communication medium, capable of identifying and distinguishing the goods or services of your company from those of another. Every time you use the mark in delivering goods or services that satisfy the need of customers, valuable business goodwill accrues in the mark. Over time, your mark will come to signify public recognition of the quality of your goods and/or services. Trademark rights can last forever if the

mark continues to perform a source-identification function. Therefore, the selection of the mark, and maintenance of rights in the mark, must be given serious consideration.

TRADEMARK CHECKLIST

1. Before you adopt a mark, do a search to determine if it is available, and to make sure you do not infringe the trademark rights of others. Keep in mind that "good" names are probably taken already. While computer databases exist for trademarks, interpretation of search results usually requires legal training.
2. Use the mark properly. Use of TM or SM is recommended to indicate a claim of ownership. Use of ® is allowed only after obtaining Federal registration.
3. Register the mark to obtain significant procedural advantages.

17. TRADE SECRET

To the extent you can keep an idea confidential within your organization, if the idea is not otherwise available to your competitors or the public, the idea can be protected as a trade secret. The property could be a process, technique, method for doing business, customer and/or supplier lists, pricing criteria, etc., and anything that gives your company a competitive edge against others. The Coca-Cola formula is a good example. Trade secrets can have an indefinite life. Trade secrets law is generally State law. While the standards may vary, generally all States require that positive steps be taken in identifying trade secrets information as such, and in maintaining limited access.

TRADE SECRET CHECKLIST

1. Stamp proprietary or confidential information and documents as such.
2. Establish a need to know/need to access policy.
3. Implement the policy and monitor compliance.
4. Have agreements with employees, contractors and consultants covering confidentiality and non-disclosure.

18. PATENT

There are three types of patents in the United States, namely utility patents, design patents, and plant patents. Most businesses are concerned with only the first two. You can obtain a utility patent on truly new ideas for machinery, devices, or other useful things, or for processes or methods for doing something useful, or for new compositions of matter, etc. Design patents protect new and original ornamental (non-functional) designs. In the United States, we use a First-to-Invent rule. If a person conceives an idea, and then diligently works towards reducing the idea to practice (either physically, or constructively by filing a patent application), the date of conception is the date of invention for determining priority. Documentation and witnessing of both conception and reduction to practice are thus significant. As you do not have any patent rights until the patent issues, care should be taken to safeguard confidentiality before such issuance. BEWARE: while the U.S. has a 12 month grace period for you to file a patent application after you offered the invention for sale or publicly disclose the invention, such offer or disclosure anywhere will bar your application in many foreign countries.

PATENT CHECKLIST

1. On the defensive end, does your product or service infringe any patents?
2. On the offensive side:
 1. Thoroughly document the inventive idea, and have the documentation read, signed, and dated by witnesses (who have entered into non-disclosure agreements with you). Also document the progress of any developmental work.
 2. Delay offers to sell or public disclosure of the invention until the patent application is filed.

3. Conduct a novelty search.
4. File United States and foreign patent applications, as appropriate.
5. Don't forget to pay maintenance fees to keep your patents in force.
6. Properly mark your patented products.

25. TRADE DRESS

Trade Dress law is a specialized branch of trademark law. Traditionally trade dress refers to how a product is "dressed" or packaged in trade. However, in recent years the scope of protection has expanded rapidly and now most courts recognize that the appearance of a product can also serve a trademark function, in distinguishing the products of one manufacturer from that of others. The usual requirement is that the trade dress must acquire secondary meaning (that means the product is so well known that the consumer would identify the appearance of the product with goods coming from a single, albeit anonymous source) to be protectable.

TRADE DRESS CHECKLIST

1. Design products with distinctive appearances.
2. Identify the distinctive features which are not functional in nature.
3. In the promotion of the product, identify these non- functional features as your trademark.
4. Obtain registration of the trade dress as a trademark after secondary meaning is achieved.

26. COPYRIGHT

Expressions of artistic or aesthetic ideas in tangible media could be protected under the copyright laws. Such works of authorship include, for example, paintings, sculptures, texts, videos, audio recordings, graphic designs, computer software, etc. There are some areas of overlap among laws governing design patents, trade dress and copyright. Because of the certainty and relatively low cost of copyright registration, and the availability of U.S. Customs assistance in blocking unauthorized imports, copyrights should never be overlooked.

COPYRIGHT CHECKLIST

1. Put a proper copyright notice on all protectable materials and copies thereof. You can and should use the notice with or without registration. Remember: You can lose your rights if you publish without proper notice.
2. Register important copyrights as soon as possible to ensure maximum recovery in enforcement actions.

27. PRIOR EMPLOYMENT AGREEMENTS

Many ventures are started by, or will employ, persons who worked for substantial companies before. The risk is for your company to be involved in suits alleging misappropriation of confidential information of the prior employer. This type of suit is a favorite tactic used by major corporations to make life difficult for new competitors.

PRIOR EMPLOYMENT CHECKLIST

1. Ask for and review all prior employment or consulting agreements and other applicable contracts. Check for enforceable covenants not to compete, obligations to consult, to disclose, or to assign.
2. Return all proprietary materials, including drawings, specifications, and customer or supplier lists, etc., to the prior employer.
3. Make it a stated Company policy, in both your procedure manuals and employment agreements,

that you forbid your employee from using the protectable trade secrets of others. Diligently enforce the policy.

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