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## Principles of Intellectual Property

Intellectual property comprises intangible rights associated with an idea, embodiment of an idea, expression or goodwill that are separate and distinguishable from the tangible embodiment of the idea, the medium containing the expression, or the products or services to which the goodwill attaches. Because the intangible rights are separate from the tangible objects to which they pertain, one person or entity may own the tangible property and another person or entity may own the intangible rights that constitute the intellectual property.

Some intellectual property rights subsist upon creation, some may develop over time, and others must be obtained by registration. Registration may also be required for certain remedies to be available to the owner upon enforcement of the rights.

Intellectual property is a subset of the broader term intellectual capital, which includes people (entities) and property, each of which are tangible, and intangible rights associated with the people (entities) and the property. As shown in Figure 1, people (tangible) include employees, customers, and suppliers, each of which has intangible rights resulting from relationships, agreements, and worth (intangible). Property (tangible) includes equipment, software, products, services, and works of authorship, each of which has intangible rights resulting from patents (ideas), trade secrets (ideas), copyrights (expressions), and trademarks (goodwill). Also included in tangible property may be real property

and personal property, which may not have intangible rights associated with the property.

■ **FIGURE 1** Intellectual Capital

	<b>PEOPLE (Including Entities)</b>	<b>PROPERTY</b>
<b>Tangible</b>	Employees Customers Suppliers	Equipment Software Products Services Works by Authorship Real Property Personal Property
<b>Intangible</b>	Relationships Contractual Rights and Obligations Worth	Patents (Ideas) Trade Secrets (Ideas) Copyrights (Expression) Trademarks (Goodwill)

The four forms of intellectual property protection are patents, copyrights, trade secrets, and trademarks. These forms of protection are not mutually exclusive, so the intangible rights associated with all of the four forms of protection may apply to any tangible property. Intellectual property is usually acquired so that it can be commercially exploited. That commercial exploitation almost always involves an agreement constituting an intellectual property transaction.

There are seven reasons related to commercial exploitation for obtaining intellectual property protection, each of which relies upon one or more of the four methods of protection. Those seven reasons are as follows:

1. To establish and maintain exclusivity in the relevant market for a product or service. In order to exploit this reason, the intellectual property must protect the marketable features of the product or service.
2. To license the intellectual property to others for the purpose of generating revenue. The exploitation of this reason does not require that the intellectual property cover any of the owner’s products or services.

3. To establish a reputation for being innovative or creative. The exploitation of this reason does not require that the intellectual property cover any of the owner's products or services.
4. To establish an intellectual property portfolio for defensive purposes. This portfolio may be cross-licensed in the event of a claim of infringement by a third party. Therefore, most likely none of the intellectual property in the portfolio will cover any of the owner's products or services.
5. To create company assets. These assets may be used as collateral to raise money or obtain other investments. These assets may or may not cover the owner's products or services.
6. To use for marketing purposes. In order to exploit this reason, the intellectual property needs to protect the features of the products or services that are being marketed.
7. To deter (but not necessarily prevent) others from developing competing products or services. The exploitation of this reason requires that the intellectual property cover the owner's products or services.

In order to properly address intellectual property in a transaction, these seven elements of each form of intellectual property protection need to be understood:

1. What subject matter is protectable by each form?
2. How does the protection arise for each form?
3. What standards for each form must be satisfied to obtain protection?
4. What rights are associated with each form of protection?
5. What is the length of the term of protection for each form?
6. Who owns the rights associated with each form of protection?
7. What are the requirements for infringement of the rights associated with each form of protection?

## ■ Patent

The U.S. Patent Law is a federal law (35 U.S. § 1-387). There are no state laws governing patents, and therefore a state cannot grant or enforce a patent. The bundle of rights associated with a patent exists only when the patent is issued by the U.S. government, and those rights apply only to activities in the United States. Rights outside the United States only

exist in each country where a patent is granted. Patent rights are limited to the subject matter that is “claimed” in the patent to be the invention.

To qualify for patent protection, the “claimed” subject matter of an invention must be patent eligible, novel, and unknown to a person skilled in the technology (art) that is the subject of the invention. An idea in the abstract cannot be patented. The idea must be embodied in a useful process, machine, article of manufacture, or composition of matter (*see* 35 U.S.C. § 101) to be patent-eligible subject matter. Thus, the two general categories of patent-eligible subject matter are processes and products.

The U.S. courts have struggled with the interpretation of the broad term “process” and over the years have limited the scope of patent-eligible processes. On June 28, 2010, the U.S. Supreme Court again addressed the scope of patent-eligible processes in its decision in *Bilski v. Kappos*, 561 U.S. 593 (2010). In its opinion the Court stated that there is no limit on patent-eligible subject matter for any new and useful process except that the subject matter cannot be a law of nature, physical phenomena, or abstract idea. The Court further stated that the machine-or-transformation test that evolved from its decisions in *Gottschalk v. Benson*, 409 U.S. 63 (1972); *Parker v. Flook*, 437 U.S. 584 (1978); and *Diamond v. Diehr*, 450 U.S. 175 (1981) is not the sole test for determining patent-eligible subject matter for processes, but the test is an important and useful clue (an investigation) for determining what is eligible subject matter for processes. However, four years later, the U.S. Supreme Court limited the test for patent-eligible subject matter essentially to the standards set forth in the *Diehr* decision. *See Alice Corporation PTY LTD v. CLS Bank Intl.*, 573 US 208 (2014).

The courts have defined “invention” to be conception and reduction to practice. The filing of a patent application is considered reduction to practice. In general, a claimed invention is considered novel if it is not identically disclosed or described in the prior art. Section 102 of the U.S. Patent Law sets forth the tests for determining whether an invention is novel.

The United States is one of only a very few countries that provides a “grace period” within which an inventor can still seek a patent even though the invention was disclosed prior to filing a patent application claiming the invention. Under 35 U.S.C. § 102(b), a patent can be sought by an inventor if a patent application is filed within one year of the occurrence of any of the events listed in that section. If an application is not filed within that one-year period, then the inventor is forever “barred” from obtaining patent protection for the invention. This is currently referred to as a “statutory bar” to patent prosecution.

Although the claimed invention is not identically disclosed or described in the prior art, a patent still may not be obtained “if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.” See 35 U.S.C. § 103. Prior to 2007 the test used by the U.S. Patent Office and U.S. courts for determining where the claimed invention was not obvious was the “teaching, suggestion or motivation” test. Using this test a claimed invention was considered obvious only if the prior art, the nature of the problem solved by the invention, or the knowledge of a person having ordinary skill in the art revealed some motivation or suggestion to combine the teachings of the prior art.

In 2007 the U.S. Supreme Court modified the test for nonobviousness in its decision in *KSR International Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007). Under the modified test a claimed invention is to be considered obvious if familiar elements recited in the claimed invention have obvious uses beyond their primary purpose or use so that a person of ordinary skill in the art would be able to fit together the teachings of those elements in the prior art to produce the claimed invention. This test is referred to as the “common sense” test.

A U.S. patent is the equivalent of a contract between the inventor of the invention described in the patent and the U.S. government. The consideration for the issuance of the patent is that the inventor must disclose his or her invention in sufficient detail to enable one skilled in the art to make the invention once the patent expires or lapses. Further, the inventor must disclose the best mode for carrying out the invention. In return the U.S. government gives the inventor a limited period of exclusivity for the claimed invention. The enablement and best mode requirements are set forth in 35 U.S.C. § 112. Failure to satisfy those disclosure requirements can be the basis for finding an issued patent unenforceable.

The term of a U.S. patent is 20 years from the date of the filing of the patent application that resulted in the issuance of the patent, provided that all of the maintenance fees are paid to keep the patent from lapsing. 35 U.S.C. § 154(c)(2). In order to maintain an issued U.S. patent, maintenance fees must be paid 3.5, 7.5, and 11.5 years from the date of issuance of the patent. Failure to pay the maintenance fee at any one of these three times will result in the patent lapsing. Most foreign patent offices also have a requirement of the payment of periodic maintenance fees in order to maintain an issued patent in those countries. In some cases these fees must be paid annually.

Patents cover only those products or processes described in the claims of the patent. An infringing product or process must include each element of a claim to be infringing that claim. The infringing product or process may have more elements than are required by the claim, but it will still infringe the claim if it includes each element of the claim.

A patent does not give the owner of the patent the right to make the invention disclosed in the patent. The owner of a patent has “the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States and, if the invention is a process, . . . the right to exclude others from using, offering for sale or selling through the United States, or importing into the United States, products made by that process.” 35 U.S.C. § 154(a)(1).

For example:

Patent 1 Claims	Patent 2 Claims	Patent 3 Claims
A	A	A
B	B	B
C	C	D
	D	

In this example, the invention covered by Patent 1 would not infringe either Patent 2 or 3 as long as it does not include element D. However, the invention covered by Patent 2 would infringe Patent 1 because it includes elements A, B, and C. The invention covered by Patent 3 would not infringe either Patent 1 or 2 because it does not include element C.

A patent claim can be infringed even though the infringer has no access to the patent or the product or process covered by the patent. “[W]hoever without authority makes, uses, offers to sell or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.” 35 U.S.C. § 271(a). “A patent shall be presumed valid. Each claim of a patent (whether independent, dependent or multiple defendant form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” 35 U.S.C. § 282(a).

Remedies for patent infringement include an injunction (35 U.S.C. § 283) and damages “in no event less than a reasonable royalty for the use

made of the invention by the infringer, together with interest and costs as fixed by the court.” 35 U.S.C. § 284. Further, “in exceptional cases” the court “may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. In the United States, “Parties . . . may give notice to the public that” a patented article “is patented, either by fixing thereon the word ‘patent’ or the abbreviation ‘pat.’, together with the number of the patent, or when, from the character of the article, this can both be done, by fixing to it, or to the packaging wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.” 35 U.S.C. § 287.

## ■ Copyright

The U.S. Copyright Law is also a federal law (17 U.S.C. §§ 101–1401). There are no state laws governing copyright rights, and therefore a state cannot register or enforce a copyright. The federal copyright law addresses both unpublished and published works of authorship. Copyright protects expression, not ideas, and the protection begins at the time of creation. 17 U.S.C. § 102(b). “A work is created when it is fixed in a copy or phonorecord for the first time.” 17 U.S.C. § 101. A work is “fixed . . . when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” 17 U.S.C. § 101.

In order for copyright protection to subsist, three requirements must be satisfied. First, the work must fall within one of these eight categories of Works of Authorship set forth in 17 U.S.C. § 102(a):

1. Literary works;
2. Musical works, including any accompanying words;
3. Dramatic works, including any accompanying music;
4. Pantomimes and choreographic works;
5. Pictorial, graphic, and sculptural works;
6. Motion pictures and other audiovisual works;
7. Sound recordings; and
8. Architectural works.

Many of these types of works of authorship are defined in 17 U.S.C. § 101. Works of authorship also include compilations and derivative works based upon any of the eight categories listed in 17 U.S.C. § 102(a). *See* 17 U.S.C. § 103.

The second requirement is that the work of authorship must be original. Original is not the same as novel, which is one of the requirements for patentability of an idea. Original means that the work was independently created (not copied from a work of authorship created by another author) and includes more than a trivial amount of creativity.

The third requirement is that the works of authorship must be “fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 102(a).

Prior to March 1, 1989 (the effective date of the Berne Convention Implementation Act of 1988), the publication of a work of authorship without a copyright notice invalidated the copyright in the work except in a few exceptions. *See* 17 U.S.C. § 405. “Publication” is defined as “the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance or public display constitutes publication. A public performance or display of a work does not of itself constitute publication.” 17 U.S.C. § 101.

The form of the copyright notice “shall consist of the following three elements:

“(1) the symbol © (the letter C in a circle), or the word ‘Copyright’, or the abbreviation ‘Copr.’; and

“(2) the year of first publication of the work; in the case of compilations, or derivative works incorporating previously published material, the year date of first publication of the compilation or derivative work is sufficient. The year date may be omitted where a pictorial, graphic, or sculptural work, with accompanying text matter, if any, is reproduced in or on greeting cards, postcards, stationery, jewelry, dolls, toys, or any useful articles; and

“(3) the name of the owner of copyright in the work, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner.”

17 § U.S.C. 401(b).

After March 1, 1989, failure to include a copyright notice on a work of authorship does not invalidate the copyright in the work. However, “if a notice of copyright in the form and position specified by this section



[Section 401] appears on the published copy or copies to which a defendant in a copyright infringement suit had access, then no weight shall be given to such defendant's interposition of a defense based on innocent infringement in mitigation of actual or statutory damages, except as provided in the last sentence of Section 504(c)(2)." 17 U.S.C. § 401(d). Section 504(c)(2)'s last sentence provides for mitigation of statutory damages by the court in infringement actions where an infringer believed and had reasonable grounds for believing that his or her use of the copyright work was a fair use, "if the infringer was: (i) an employee or agent of a non-profit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in section 118(f)) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work." 17 U.S.C. § 504(c)(2).

Although registration of copyright with the U.S. Copyright Office is not a prerequisite to copyright protection (17 U.S.C. § 408), registration and its timing are prerequisites to the filing of a civil action for infringement of copyright (17 U.S.C. § 411) and to certain remedies for infringement (17 U.S.C. § 412). "In any judicial proceeding the certificate of registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be under the discretion of the court." 17 U.S.C. § 410(c). "The effective date of a copyright registration is the day on which an application, deposit, and fee, which are later determined by the Register of Copyrights or by a court of competent jurisdiction to be acceptable for registration, have all been received in the Copyright Office." 17 U.S.C. § 410(d).

In any action for copyright infringement, "no award of statutory damages or statutory fees, as provided by sections 504 and 505 shall be made for—

- "(1) any infringement of copyright in an unpublished work commenced before the effective date or its registration; or
- "(2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work."

17 U.S.C. § 412.

The owner of copyright “has the exclusive rights to do and to authorize any of the following:

- “(1) to reproduce the copyrighted work in copies or phonorecords;
- “(2) to prepare derivative works based upon the copyrighted work;
- “(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- “(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- “(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- “(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.”

17 U.S.C. § 106.

In addition to the six rights set forth in § 106, “the author of a work of visual art:

- “(1) shall have the right:
  - “(A) to claim authorship of that work, and
  - “(B) to prevent the use of his or her name as the author of any work of visual art which he or she did not create;
- “(2) shall have the right to prevent the use of his or her name as the author of the work of visual art in the event of a distortion, mutilation, or other modification of the work which would be prejudicial to his or her honor or reputation; and
- “(3) subject to the limitations set forth in section 113(d), shall have the right—
  - “(A) to prevent any intentional distortion, mutilation, or other modification of that work which would be prejudicial to his or her honor or reputation, and any intentional distortion, mutilation, or modification of that work is a violation of that right, and
  - “(B) to prevent any destruction of a work of recognized stature, and any intentional or grossly negligent destruction of that work is a violation of that right.”

17 U.S.C. § 106(a).

“Only the author of a work of visual art has the rights conferred by subsection (a) [§ 106A(a)] in that work, whether or not the author is the copyright owner. The authors of a joint work of visual art are co-owners of the rights conferred by subsection (a) [§ 106(A)(a)] in that work.” 17 U.S.C. § 106A(b).

These seven rights are subject to fifteen limitations. 17 U.S.C. §§ 107–22. Some of the more well-known exceptions are fair use (§ 107), reproductions of libraries and archives (§ 108), effect of transfer of particular copy or phonorecord (First Sale Doctrine) (§ 109), exemption of certain performances and deploys (teaching or instructional exemption) (§ 110), computer programs (§ 117), and architectural works (§ 122).

The term of copyright in a work of authorship depends upon when the work was created. The U.S. Copyright Law was significantly revised in 1977. The effective date of the new law was January 1, 1978. Therefore, the term of copyright depends upon whether a work was created before January 1, 1978, or on or after that date. For works created on or after January 1, 1978, copyright “subsists from its creation and, except as provided by” the subsections in 17 U.S.C. § 302, “endures for a term consisting of the life of the author and 70 years after the author’s death.” 17 U.S.C. § 302(a). For joint authors “the copyright endures for a term consisting of the life of the last surviving author and 70 years after such last surviving author’s death.” 17 U.S.C. § 302(b).

“In the case of an anonymous work, a pseudonymous work, or a work made for hire, the copyright endures for a term of 95 years from the year of its first publication, or a term of 120 years from the year of its creation, whichever expires first. If, before the end of such term, the identity of one or more of the authors of an anonymous or pseudonymous work is revealed in the records of a registration made for that work . . . or in the records provided by this subsection, the copyright in the work endures for the term specified by subsection (a) or (b), based on the life of the author or authors whose identify has been revealed.” 17 U.S.C. § 302(c).

“Copyright in a work created before January 1, 1978, but not theretofore in the public domain (not published), copyrighted, subsists from January 1, 1978, and endures for the term provided by Section 302. In no case, however, shall the term of copyright in such a work expire before December 31, 2002; and if the work is published on or before December 31, 2002, the term of copyright shall not expire before December 31, 2047.” 17 U.S.C. § 303(a). The distribution of a phonorecord before January 1, 1978, does not constitute a publication of the musical work embodied in the phonorecord. 17 U.S.C. § 303(b).

The term of copyright for works published before January 1, 1978, was determined from the date of the original registration and any

renewal of that registration. The original registration provided a term of 28 years, and the renewal of the registration added an additional 28 years for a total of 56 years. Therefore, for any copyright in a work published before January 1, 1978, that was still in its first term on January 1, 1978, the term was still 28 years from the date the original registration was secured. 17 U.S.C. § 304(a)(1)(A). The copyright registration in its first term can be renewed and extended for a further term of 67 years by any one of the following:

- “(1) the author of such a work, if the author is still living;
- “(2) the widow, widower or children of the author, if the author is not living;
- “(3) the author’s executor, if such author, widow, widower or children are not living; and
- “(4) the author’s next of kin, in the absence of a will of the author.”

17 U.S.C. § 304(a)(1)(C).

An application for renewal and extension of the copyright for 67 years is not a condition of the renewal and extension of a copyright in any work first published after 1963 (until 1963, application for renewal was a precondition). 17 U.S.C. § 304(a)(3)(B). “Any copyright still in its renewal term at the time the Sonny Bono Copyright Term Extension Act becomes effective [October 27, 1998] shall have a copyright term of 95 years from the date the copyright was original secured.” 17 U.S.C. § 304(b).

“Anyone who violates any of the exclusive rights of the copyright owner as provided in Sections 106 through 122, or of the author as provided in Section 106(A)(e); or who imports copies or phonorecords into the United States in violation of Section 602 is an infringer of the copyright or right of the author as the cause may be.” 17 U.S.C. § 501(a). A violation of any of the rights set forth in Sections 106 through 122 requires copying of the copyrighted work or the performance of any one of the activities proscribed in Sections 106 through 122 with respect to the copyrighted work by the infringer. Because copying requires access to the original copyrighted work, the courts have established a two-prong test for proving infringement. Those two prongs are (1) access to the copyrighted work and (2) substantial similarity between the alleged infringing work and the copyrighted work. Independent creation of a work without access to a copyrighted work or the performance of any of the activities provided in Sections 106 through 122 with respect to an independently created work is not an infringement even though the independently created work is substantially similar to the original copyrighted work.

Remedies for copyright infringement include

1. Temporary and final injunction (17 U.S.C. § 502),
2. Impoundment and disposition of infringing articles (17 U.S.C. § 503),
3. Actual damages and profits (17 U.S.C. §§ 504(a) and 504(b)),
4. Statutory damages (17 U.S.C. § 504(c)),
5. Additional damages in certain cases (17 U.S.C. § 504(d)), and
6. Costs and attorney's fees (17 U.S.C. § 505).

In addition to the above civil remedies, “any person who willfully infringes a copyright shall be punished” as a criminal act “as provided under section 2319 of Title 18 [18 U.S.C. § 2319] if the infringement was committed . . .

“(A) for purposes of commercial advantage or private financial gain;

“(B) by the reproduction or distribution, including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than \$1,000; or

“(C) by the distribution of a work being prepared for commercial distribution, by making it available on a computer network accessible to members of the public, if such person knew or should have known that the work was intended for commercial distribution.”

17 U.S.C. § 506(a)(1).

## ■ Trade Secret

Trade secret protection is for ideas and information. Trade secrets are primarily governed by the laws of each individual state. Many states have adopted the Uniform Trade Secrets Act (UTSA). *See* Indiana Code §§ 24-2-3-1 through 24-2-3-8. Those states that have not adopted the UTSA rely primarily upon the Restatement of Torts Section 757 for trade secret protection.

However, the Defend Trade Secrets Act of 2016 (DTSA) (18 U.S.C. § 1836 *et seq.*) became effective May 11, 2016. This federal law provides for a cause of action by a private party. The DTSA preserves state law trade secret protection and requires use or intended use of a product,

service, or technology that includes the trade secret in interstate or foreign commerce. Like the state trade secret laws, there is a three-year statute of limitation from the date misappropriation is or should have been discovered, but unlike the state laws, an ex parte seizure order may be obtained if necessary to prevent dissemination of the trade secret. The DTSA also provides protection for an “employee” who discloses information in confidence to a government official or to an attorney to report a suspected violation of law (“Whistleblower Protection”). “Employee” is defined as an employee, independent contractor, or consultant. In order for an employer to seek enhanced damages and attorney’s fees against an “employee,” the employer must provide notice of the whistleblower immunity in any agreement with the employee that governs the use of a trade secret or other confidential information. The following chart is a comparison of features of the DTSA and the Indiana UTSA, which is similar to the laws in most states that have adopted the UTSA.

	<b>UTSA</b>	<b>DTSA</b>
Damages	Same	Same
Interstate Commerce	No	Yes
Ex Parte Seizure	No	Yes
Whistleblower Protection for Disclosure	No	Yes
Notice to Employee in Agreement	No	Yes

Limited protection is also provided under the federal Economic Espionage Act of 1996; however, it does not provide for a cause of action by a private party.

Under the UTSA, a trade secret is defined 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, and not being readily ascertainable by proper means by, 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 its secrecy.”

See USTA § 1(4).

Maintenance of secrecy is a prerequisite to trade secret protection. The standard ways to establish and maintain secrecy are by

1. Storing the trade secret information in a location whose access can be controlled,
2. Restricting access to the information being kept secret,
3. Identifying secret information with appropriate notices and legends, and
4. Having anyone (employees and nonemployees) who has access to the information to sign an agreement obligating that person to keep the information secret.

The owner of a trade secret has the right to preclude anyone from using the trade secret if it is misappropriated by improper means. Under the UTSA, “misappropriation” means:

1. acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
2. disclosure or use of a trade secret of another without express or implied consent by a person who:
  - a. used improper means to acquire knowledge of the trade secret;
  - b. at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was:
    - i. derived from or through a person who had utilized improper means to acquire it;
    - ii. acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
    - iii. derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or
  - c. before a material change of his position, knew or had reason to know that it was a trade secret and that knowledge of its had been acquired by accident or mistake.

“Improper measure” means by “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.” *See* USTA § 1(1).

Appropriation and use of a trade secret by proper means is not precluded. Proper means would include reverse engineering, independent creation, license from the owner, or acquisition of the information from a public source (publication or public use).

Independent creation or development of a trade secret is not precluded. Therefore, in order to prove misappropriation, the owner of the trade secret must prove that the party alleged to have misappropriated the trade secret had access to the trade secret. Misappropriation can be

direct where there is a disclosure or use of a trade secret without the express or implied consent of the owner or indirect where the trade secret is acquired by a person who knows or has reason to know that the trade secret was acquired by improper means. In order to establish misappropriation of a trade secret the owner must prove:

1. The existence of a trade secret,
2. Ownership of the trade secret,
3. Access by the party alleged to have misappropriated the trade secret,
4. Notice to the alleged misappropriator that information is a trade secret,
5. Use of the trade secret by the party alleged to have misappropriated the trade secret, and
6. Damages.

The term of trade secret protection is perpetual as long as the owner of the trade secret can maintain its secrecy.

The remedies for misappropriation of a trade secret are injunction, damages, and, in some exceptional circumstances, an award of reasonable attorney's fees. The following provisions for injunctive relief are set forth the UTSA:

- (a) Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from the misappropriation.
- (b) In exceptional circumstances, an injunction may condition future use upon payment of a reasonable royalty for no longer than the period of time for which the use could have been prohibited. Exceptional circumstances include, but are not limited to, a material prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation that renders a prohibitive injunction inequitable.
- (c) In appropriate circumstances, affirmative acts to protect a trade secret may be compelled by court order.

*See* USTA § 2(a), (b) and (c).

The UTSA also includes the following provisions for damages:

- (a) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable,



a complainant is entitled to recover damages for misappropriation. Damages can include both actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. In lieu of damages measured by any other methods, the damages caused by misappropriation may be remedied by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

- (b) If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection (a).

*See* USTA § 3 (a) and (b).

If:

- (i) a claim of misappropriation is made in bad faith;
- (ii) a motion to terminate an injunction is made or resisted in bad faith; or
- (iii) willful and malicious misappropriation exists;

the court may award reasonable attorneys' fees to the prevailing party.

*See* USTA § 4.

"An action for misappropriation must be brought within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim." *See* USTA § 6.

## ■ Trademarks

Trademarks are protectable either by federal law (*see* Federal Trademark Act of 1946, 15 U.S.C. §§ 1051–1127) or by state law (*see* Indiana Code §§ 24-2-1-0.5 through 24-2-1-16). Most state trademark laws are intended to be consistent with the federal law. Therefore any "judicial or administrative interpretation of a provision of the Federal Trademark Act may be considered persuasive authority in construing a provision of the state Trademark Act." *See* Indiana Code § 24-2-1-0.5. The only significant difference is that the Federal Trademark Act applies only to trademarks used in domestic or foreign commerce, whereas state Trademark Law applies to the use of trademarks within the state.

A "trademark" is "any word, name, symbol, or device, or any combination thereof

- "1. used by a person or
- "2. which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act;

"to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." The definition of a "service mark" is identical to the definition of a trademark except that a service mark applies to the services of a person instead of goods. 15 U.S.C. § 1127.

A "certification mark" is "any word, name, symbol, or device, or any combination thereof

- "1. used by a person other than its owner, or
- "2. which its owner has a bona fide intention to permit a person other than the owner to use in commerce and file an application to register on the principal register established by this Act,

"to certify regional or other origin, material, mode of manufacture, quality, accuracy or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization." 15 U.S.C. § 1127.

A "collective mark" is a trademark or service mark

- "(1) used by the members of a cooperative, an association, or other collective group or organization, or
- "(2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,  
"and includes marks indicating membership in a union, an association, or other organization."

15 U.S.C. § 1127.

In the discussion that follows, the term "mark" is intended to include trademarks, service marks, certification marks, and collective marks.

The term "use in commerce means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—

- "(1) on goods when—
  - "a. it is placed in any manner on the goods or their containers or the displays associate therewith or on the tags or

labels affixed thereto or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

“b. the goods are sold or transported in commerce, and  
“(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.”

15 U.S.C. § 1127.

“The word commerce means all commerce which may lawfully be regulated by Congress.” 15 U.S.C. § 1127.

A “trade name” is “any name used by a person to identify his or her business or vocation.” 15 U.S.C. § 1127. A trade name may or may not be the same as a trademark or service mark of a person or business.

Unlike trademarks or service marks, trade names are not federally registrable, but they may be protected by actions for unfair competition. The use of a trade name that is confusingly similar to the trade name or trademark of another person may give rise to an action for infringement or unfair competition.

The trademark laws were created to protect the public. The public has a right not to be confused in making decisions about goods or services it purchases. Marks also provide the owner a basis to establish and protect the goodwill of the owner in the relevant market.

Trademarks and service marks are intended to identify the source of a good or service and not to identify the good or service on or in connection with which the trademark or service mark is being used. Some marks are strong, and some are weak; some marks are suggestive, and some words and phrases are precluded from ever being a trademark or service mark.

A coined (arbitrary) word or design is the strongest mark because it has no meaning except as a mark. As a result the owner of an arbitrary mark can often prevent the use of that mark by others on a broad range of goods and services because the public is most likely to associate the source of any such goods or services with the owner of the arbitrary mark.

Some marks do have meanings other than as marks. These marks are referred to as descriptive marks. In order for a descriptive mark or phrase to receive trademark protection, it must have acquired distinctiveness or secondary meaning as a mark. Secondary meaning may be established by widespread use of the mark by the user to the extent that

the public associates the mark with the user. Even when a descriptive mark acquires secondary meaning with respect to a particular good or service, it still may offer weak protection.

Suggestive marks fall between arbitrary marks and descriptive marks. Suggestive marks include words or phrases that are suggestive of a quality of the goods or services to which they are applied but do not merely describe the good, service, or quality thereof. Like arbitrary marks, suggestive marks provide protection without the need to establish secondary meaning. However, sometimes the distinctions between suggestive and descriptive marks are difficult to discern. Because secondary meaning may be hard to establish, an owner of a mark may argue that the word or phrase is suggestive and not merely descriptive in an effort to avoid the need to establish secondary meaning.

Words and phrases that are the name of the good or service to which they are applied are considered generic and therefore can never be a mark for such good or service. Words and phrases that were once marks can lose their protection if, through misuse as the name of the good or service, they become the generic name of the good or service to which they are applied. This usually occurs when the mark is used as a noun replacing the generic name of the product. In order to avoid the loss of protection, marks should always be used as adjectives along with the generic name of the good or service in written materials or on packaging for the goods or brochures describing the services. Examples of marks that have lost their trademark protection are ASPIRIN and ELEVATOR.

The first user of a mark is entitled to seek registration for the mark in the state where the first use occurred. If the mark is used in commerce that may be regulated by Congress (interstate or foreign commerce or a federally regulated industry), the user may seek federal registration of the mark. No mark will be refused registration unless it

- “(a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement (as defined in Section 2(9) of the Uruguay Round Agreement Act) entered into force with respect to the United States [January 1, 1996]. (This Section has been limited by the U.S. Supreme Court decision in *Matal v. Tam*, 137 S.Ct. 1744 (2017)).

- “(b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.
- “(c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.
- “(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive; . . .
- “(e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 4, (3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.
- “(f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing herein shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce. The Director may accept as *prima facie* evidence that the mark has become distinctive, as used on or in connection with the applicant’s goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made [‘Secondary Meaning’]. Nothing in this section shall prevent the registration of a mark which, when used on or in connection with the goods of the applicant, is primarily geographically deceptively misdescriptive of them, and which became distinctive of the applicant’s goods in commerce before the date of the enactment of the North American Free Trade Agreement Implementation Act [December 8, 1993].”

On and after November 16, 1989, an applicant for federal registration of a mark is no longer required to use the mark in commerce prior to filing an application for federal registration. The applicant may rely upon its bona fide intention to use the mark when filing an application for registration ("Intent-to-Use application"). "A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director." 15 U.S.C. § 1051(b)(1). However, no mark will be registered based upon an Intent-to-Use application until the mark has been used in commerce and the applicant has submitted a verified statement of such use along with the required specimens. 15 U.S.C. § 1051(b)(3). In an Intent-to-Use application, the applicant may at any time during examination convert the application to an application based upon use of the mark in commerce by amending the application to bring it into conformity with the requirements of 15 U.S.C. § 1051(a). *See* 15 U.S.C. § 1051(c). Otherwise, the applicant will have six months from the mailing of a notice of allowance of the application by the U.S. Patent and Trademark Office to establish use in commerce and submit a verified statement that the mark is in use in commerce along with the required specimen. 15 U.S.C. § 1051(d)(1). Additional six-month periods may be granted upon written request of the applicant before the expiration of the previous six months for good cause up to an aggregate of 24 months. 15 U.S.C. § 1051(d)(2).

Upon the grant of a federal registration for a mark, the filing date of an Intent-to-Use application becomes the constructive use date of first use of the mark. The constructive use date confers upon the registrant a right of priority against any other person except for a person whose mark has not been abandoned and who, prior to the filing of the Intent-to-Use application "(1) has used the mark [prior to the constructive use date], (2) has filed an intent-to-use application to register the mark which is pending or has resulted in a registration of the mark," or (3) has filed a foreign application prior to the constructive use date and timely filed a U.S. application claiming a right of priority upon the foreign application. 15 U.S.C. § 1057(c).

"A certificate of registration of a mark upon the principal register" "shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified

in the certificate, subject to any conditions or limitations stated in the certificate.” 15 U.S.C. § 1057(b). “Registration of a mark on the principal register” “shall be constructive notice of the registrant’s claim of ownership thereof.” 15 U.S.C. § 1072. The registration precludes any subsequent user from innocently adopting the mark or from obtaining common law rights in limited geographic areas.

Each federal registration will remain in force for ten years, provided that the registrant files a declaration of continuing use (or excusable nonuse) between the fifth and sixth year after the date of registration. 15 U.S.C. § 1058. Upon the filing and acceptance of the declaration of incontestability, the owner of the registration acquires incontestable rights subject to limited defenses in 15 U.S.C. § 1064 paragraphs (3) and (5) “and except to the extent, if any, to which use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration . . . shall be uncontestable.” 15 U.S.C. § 1065. An uncontestable registration is “conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant’s ownership of the mark and of the registrant’s exclusive right to use the registered mark in commerce” on the goods or services specified in the registration. 15 U.S.C. § 1115(b). The conclusive evidence is subject to a limited number of defenses or defects set forth in 15 U.S.C. § 1115(b).

“Each registration may be renewed for periods of 10 years at the end of each successive 10-year period following the date of registration upon payment of the prescribed fee and the filing of a written application.” “Such application may be made at any time within 1 year before the end of each successive 10-year period for which the registration was issued is renewed, or it may be made within a grace period of 6 months after the end of each successive 10-year period, upon payment of a fee and a surcharge prescribed therefor.” 15 U.S.C. § 1059(a).

Any person selecting a mark has an obligation not to choose a mark that when used with the person’s goods or services is likely to cause confusion in the relevant market. Therefore, each person selecting a mark should conduct a search of the U.S. Patent and Trademark office records before any mark is adopted or used. Such person may also want to search directories and other databases that might evidence unregistered common law use of a mark. Trademark infringement can occur even though a party selecting a mark had no knowledge of or access to the registration or mark that is alleged to be infringed.

If a person innocently adopts and uses a mark that has not yet been federally registered or applied for registration by another, the innocent



user may continue to use its mark in the geographic area in which it used the mark even if someone has previously used the mark in another geographic area. Therefore, by failing to register or apply to register a mark, two parties may have concurrent rights to use the mark in different geographic areas.

Further, if the United States Patent and Trademark Office “determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such mark is used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce.” 15 U.S.C. § 1052(d).

Regardless of whether a mark is registered, the owner of the mark can initiate an action for infringement in a state court or, if jurisdiction exists, in a federal court. The owner must be able to establish its ownership rights in the mark, use of the mark by another in a way likely to confuse the public in the relevant markets, and the likelihood of injury to the owner of the mark as a result of use by the other party.

A finding of likelihood of confusion does not require that the other user be using precisely the same mark as the owner of the mark. The owner of a mark only needs to establish sufficient similarity of its mark to the mark accused to be infringing to create confusion in the relevant market as to the source of the goods or services or as to a relationship of the parties. The courts have set forth several factors to consider in evaluating likelihood of confusion. The issue of whether likelihood of confusion exists is very fact-sensitive and involves a highly subjective inquiry. Likelihood of confusion depends upon an overall impression to the consumer in the relevant market that is created by the use of the two conflicting marks and by the sophistication of the consumers and the care they exercise in purchasing the goods or services in connection with which the marks are used.

If the owner of a mark has federally registered the mark and has successfully established that another party is infringing its trademark rights in the mark, the owner is entitled to an injunction precluding any future use of the mark by the infringing party. 15 U.S.C. § 1116. The owner is further entitled to recover the infringing party’s profit and/or any damages sustained by the owner. 15 U.S.C. § 1117(a). In some cases the court may also enter judgment for three times the profits or damages together with reasonable attorney’s fees. 15 U.S.C. § 1117(b). In addition, the court may order that the infringing products be delivered to an officer of the court and destroyed. 15 U.S.C. § 1118.



In general, under the trademark law of each state, an owner of a mark registered in that state is entitled to an injunction against continued infringement, profits and/or damages, destruction of the infringing product, and in some cases an award of three times the profits or damages and reasonable attorney's fees. *See* Indiana Code § 24-2-1-14. Even in the absence of either a federal or state registration, an owner of a mark who successfully establishes infringement of its common law rights in such mark may be entitled to the same remedies provided in the federal and/or state trademark laws.

A domain name may or may not be a trademark. Although the use of a word or combination of words as a domain name is usually not considered trademark usage, such use is no defense to a charge of trademark infringement or unfair competition by the owner of a mark containing such word or combination of words if the use creates a likelihood of confusion with the owner's mark. Further, the owner of the mark may pursue a claim for the transfer of the infringing domain name to the owner under the rules and procedures of the Internet Corporation for Assigned Names and Numbers (ICANN) or the Anti Cyber Squatting law.

Even if a party does not own a mark, another party may be pursued for unfair competition or trade dress infringement under either federal or state law. Under federal law, there may be a claim frequently referred to as a § 43(a) claim. 15 U.S.C. § 1125(a)(1). "Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

“(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

“(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

“shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.” 15 U.S.C. § 1125(a)(1).

Each of the methods of protection has features that are different from the other methods. The following chart includes a comparison of five of the more important features associated with each method of protection.

### Legal Considerations of Methods of Protection: Comparison of Five Features

SCOPE OF PROTECTION	Patent 2 Claims	Patent 3 Claims
<b>Broad</b>		<b>Limited</b>
Patent	B	B
Trade Secret		Copyright
Trademark	D	
TIME TO OBTAIN PROTECTION		
<b>Long</b>		<b>Short</b>
Patent		Copyright
Trademark		
Trade Secret		
COST OF PROTECTION		
<b>High</b>	<b>Moderate</b>	<b>Low</b>
Patent	Trade Secret	Copyright
	Trademark	
LENGTH OF PROTECTION		
<b>Unlimited</b>	<b>Moderate</b>	<b>Limited</b>
Trademark	Copyright	Patent
Trade Secret		
REQUIREMENT FOR INFRINGEMENT/ENFORCEMENT		
<b>No Access Required</b>		<b>Access Required</b>
Patent		Copyright
Trademark		Trade Secret