

Intellectual Property Basics for Entrepreneurs

Rutgers University
The Center for Urban Entrepreneurship
& Economic Development (CUEED)
Rutgers Business School New
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Intellectual Property

- The Founding Fathers recognized the need for the protection of Intellectual Property when they authorized Congress “[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries” (Article 1, section 8, clause 8 of the United States Constitution).

Today's Outline

- How important is intellectual property (IP) to my business?
- What can be protected?
- How is it protected?
- What IP protection is needed at start-up?

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How important is intellectual property to my business?

- Highly valued companies such as GOOGLE®, FACEBOOK® and APPLE® protect their intellectual property
 - FACEBOOK estimated to have a value in excess of \$50bn; has around 50 patents or patent applications
 - recently granted patent on tagging
 - APPLE just surpassed GOOGLE as the world's most valuable brand
 - Steven Jobs has 313 patents

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How important is intellectual property to my business?

- Intellectual property law helps you to establish and maintain rights in your ideas which in turn can become a valuable asset of your business
- Understanding IP helps avoid costly mistakes by inadvertent misuse of other's intellectual property
- Intellectual property is property that can be bought and sold and "leased" i.e. licensed, and inherited, just as any real property or movable property can be

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What can be protected?

- Ideas
- Right of publicity/privacy
- Trade secrets
- Inventions (Patents)
- Brands (Trademark)
- Original works (Copyrights)

Ideas

- Protected by common law (state): by contract law (breach of confidentiality) tort law (conversion, misappropriation, unjust enrichment)
- Must be novel, original or creative
- Must be in a tangible form and fully developed
- Reliance on common law the least protection available

Right of Publicity/Privacy (ROP)

- The right of publicity (ROP) is the right of a celebrity to control and profit from the commercial use of his or her name, image, likeness, performance (including characteristic moves of athletes), voice, biographical facts, and symbolic representation
- Protected by state law and in majority of states, extends beyond the grave
 - *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, 25 Cal. 4th 387 (2001)

ROP

- Federal protection under the Lanham Act
- Asks whether the use of the celebrity identity is likely to confuse the public as to whether the celebrity sponsored or endorsed the product or service – false endorsement or false affiliation
 - *White v. Samsung Electronics America, Inc.*, 971 F.2d 1395 (9th Cir. 1992)
- Caveat – most athletes and celebrities take these rights seriously

Trade secrets

- Any information which would give a business an economic competitive advantage
- Need not be novel, original or inventive
- A formula, pattern, compilation (such as a customer list), program device, method, technique, or process
- **A trade secret is protected as long as it remains a secret**

Trade secrets legal protection

- Protected by common law under contract law and tort law (misappropriation and unfair competition) in NJ
 - Bill sitting on Governor's desk awaiting signature – New Jersey Trade Secrets Act *A-921*
- Protected by statute in some states that adopted some or all of the Uniform Trade Secrets Act
- Protected by the Federal Economic Espionage Act of 1996

How to protect trade secrets

- Must show that measures were taken to maintain the secrecy of the information
 - Restricted access
 - Physically or electronically locking up sensitive documents
 - Security systems physical and electronic
 - Restricting electronic devices
 - Employee confidential and non-compete agreements (and exit interviews)
 - Restricting electronic devices in restricted areas
 - Confidentiality or Non-Disclosure Agreement (NDA)

Patent protection for inventions

- A patent is the right to **exclude** others from making, using, offering for sale, or selling the invention in the United States or importing the invention into the United States
- A patent is **not** the right to **practice** the invention
- Patents are territorial; patent rights limited to the granting country
- System in place to concurrently apply in multiple countries

What is patentable

- Machine - has moving parts
- Manufacture - no moving parts (i.e. paper clip)
- Composition of matter -chemical (i.e. pharmaceuticals)
- Process - method of doing something (i.e. manufacturing process, computer software)
- New and useful improvements of the above

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Types of patents

- **Utility**
 - Provisional application
 - Nonprovisional application
- **Design**
 - protects the ornamental appearance of a product (as opposed to the function of the product)
- **Plant**
 - Rutgers University holds numerous patents for cranberry varieties, turf grass and dogwood trees to mention just a few

What are the requirements for patentability

- **Useful**
 - Patentable subject matter broadly defined including business methods
- **Novel**
 - Inventor has 1 year after public disclosure to file
- **Nonobvious**
 - One of ordinary skill would not see the combination of features as an obvious solution to the problem

How to obtain a patent

- **Formal application to USPTO**
 - Drawings
 - Detailed specification
 - Claims that define the metes and bounds of the invention
 - Fees
- **Pendency**
 - Average 27 months to first response from USPTO
 - Average 34 months to issuance

Patent rights

- Utility patents expire twenty years after filing an application; design patent expires fourteen years after issuance
- Upon filing an application, the invention immediately becomes patent pending, giving notice to all that the inventor may receive a patent that can be later asserted against potential infringers

Protecting the brand – Trademarks

- Combination of elements such as words, feature or device such as designs, sounds, scents that are used, or intended to be used, in commerce to identify and distinguish the goods of one manufacturer or seller from goods manufactured or sold by others, and to indicate the source of the goods; trade dress included
- A service mark is any word, name, symbol, device, or any combination, used, or intended to be used, in commerce, to identify and distinguish the services of one provider from services provided by others, and to indicate the source of the services.

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Protecting the brand

- Common law protection ™ is limited to the type of product or service, the geographic area of use, and a reasonable expansion for each; “the first to use gets the territory”
- Federal registration ® under the Lanham Act for marks used in interstate commerce grants national area of use for the registered mark
- Trademarks do not expire as long as they are used in commerce
 - **TRADEMARKS ARE FOREVER** sort of

Trademark Requirements

- The mark must be distinctive to ensure it identifies a single source for goods or services and ensures that competitors would not be free to use these terms in describing their own goods or services:
 - Inherently distinctive: Most protectable
 - Fanciful or Coined mark – has no meaning at all other than their trademark – Xerox® or Haagen Daz®
 - Arbitrary mark – a mark which does not describe the product - Apple® computers; All-State® insurance
 - Suggestive mark – a mark which indirectly describes the product Coppertone® suntan lotion or Ivory® soap

How to obtain a patent or trademark registration

- Both begin with a professional search and evaluation
- Preparation of application
- Prosecution through the USPTO
- Allowance; for registration of trademark submission of specimen showing use in commerce required in addition to allowance

Copyrights©

- Copyrights apply to “**original** works of authorship” which works are fixed in a tangible medium of expression
 - (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.

Copyrights

- Copyrights are actually a bundle of rights:
 - (1) to **reproduce** the copyrighted work in copies or phonorecord
 - (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**

Copyrights

- Copyright protection begins when the work is fixed in a tangible medium
- Author has up to five years to register the work (3 months before alleged infringement) if copyrights are to be asserted against a potential infringer
- If not registered, then cannot seek damages

Copyrights

- Registration is simple, on-line and low fee
- No prior search required
- Must deposit work with Library of Congress
- Copyrights last the lifetime of the author plus 70 years
- Copyrights becomes the property of the author of the work unless it is a work made for hire by employment or contract

Putting it together

- A product or service can be protected by a combination of legal instruments; for example a new web-based application
 - System and method protected by a patent
 - Registration of service mark and domain names
 - Copyright registration of screen shots
 - Copyright ownership of code through works made for hire agreement
 - Database of users protected as a trade secret

IP Protection at start-up

- Include IP protection as part of a strategic business plan
- Include securing IP protection in initial start-up budget
- Establish procedures to maintain confidentiality
 - Include as part of employment contracts for key employees

IP Protection at start-up

- Understand what can be protected and how
- Seek qualified legal advice
- Apply for patents, trademark registrations and copyrights registrations
- If your IP is monetized, that is making \$, it will probably be litigated to assert rights
- Risk can covered by insurance
- Careful initial preparation aids in recovery through trial or settlement

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