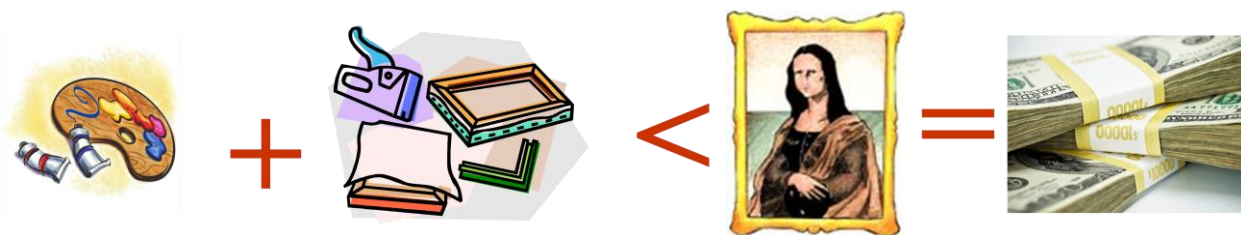


Intellectual Property Basics



Definition

Intellectual property (IP) is something that is worth more than the sum of its parts as is a painting's value which is more than the cost of paint, canvas and a frame. The painting's worth is based on what people think of it (intellect). Intellectual property that is not in the public domain has government protection of ownership (i.e. rights) similar to real property; like land or a car. There are four main categories of intellectual property; Form, Function, Identification, and Trade Secret.

Intellectual Property



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Copyright

"Copyright² is a form of protection grounded in the U.S. Constitution and granted by law for original works of authorship fixed in a tangible medium of expression. Copyright covers both published and unpublished works."

Nothing is required for Copyright protection beyond rendering it in a fixed, tangible form; paper and pencil, video or audio recording, web page, electric file, etc. Registration with the government is not required for legal protection. Registration is recommended for highly valuable works to increase protection. It reduces the risk another will claim they own the copyright. It also can increase the claim for monetary damages. Although not required, simply staking your claim on

¹ Coca Cola and the Coke bottle shape are registered trademarks of the Coca Cola Co.

² As defined by the US Copyright Office

your fixed form is sufficient for most business purposes. At the bottom of these pages I claim ownership to this document and that I am keeping all my rights of ownership.

Patents

A utility patent is government protection of an idea. Protection is quid pro quo³. To get a patent you must disclose the best method for execution. When the term of protection expires, society is advanced by the best execution of a good idea being clearly stated and becoming public domain. An invention must be unique and non-obvious to be patented. Unique means no one else has done it before. Non-obvious means that a person skilled-in-the art⁴ would not typically come up with that solution given similar circumstances. This does not mean that the idea must be complex. Just look at the plastic spacer used in pizza delivery boxes, it was patented.

Utility

"Issued for the invention of a new and useful process, machine, manufacture, or composition of matter, or a new and useful improvement thereof, it generally permits its owner to exclude others from making, using, or selling the invention for a period of up to twenty years from the date of patent application filing."⁵

Design

"A design consists of the visual ornamental characteristics embodied in, or applied to, an article of manufacture. Since a design is manifested in appearance, the subject matter of a design patent application may relate to the configuration or shape of an article, to the surface ornamentation applied to an article, or to the combination of configuration and surface ornamentation. A design for surface ornamentation is inseparable from the article to which it is applied and cannot exist alone. It must be a definite pattern of surface ornamentation, applied to an article of manufacture."⁶

Source Identification

Trademarks

In short, a trademark is brand identification. A trademark includes any word, name, symbol, device, or any combination used to identify the source of the goods. To establish a trademark begin using the mark as part of your advertising and labeling your products. Put "TM" after every use to identify to everyone that sees it you are staking a claim to the mark. Then you can apply to the government for trademark registration. Typically the government will ask for examples of your use. It is simply supplying copies of your brochures, advertisements and photos of your product where you use the mark. After registration use the ® symbol every time you use the mark to maintain your claim.

An interesting note is that Coca Cola turned a design patent for its coke bottle into a trademark. This continued the protection of the shape beyond the duration of the patent.



Service Marks

Service marks are a subclass of trademarks except used to show a company is an authorized extension of another company for services instead of goods.

Examples:

- "Mr. Goodwrench" for GM service on your car
- "Stanley Steamer" is a franchise for cleaning carpets

³ Getting something requires giving something in return

⁴ A person with significant experience in that area

⁵ US Patent and Trademark Office

⁶ US Patent and Trademark Office

Certification Marks

A certification mark is similar in definition to trademark except the owner grants a second party the use of the mark. It is meant to show that the second party has special qualifications.

Example:

- "ISO 9000" shows a company has met quality requirements
- "3A" for a product that meets sanitary standards

Trade Dress

Trade Dress is product shapes, colors, or other features that at first look would be recognized as belonging to a company. Ex: Bottle shape for Coke; Dark Brown with Gold lettering on UPS trucks; Red & blue flashing lights on a police car. Using an approximation of trade dress to imply something that is not true is still a violation of the law. Harley Davidson sued Honda over their signature potato-potato rhythmic engine. Harley claimed the sound of the engine of Honda's new motorcycle was stealing their trade dress.

Trade Secrets

Internal design, manufacture, production, sales or other business methods, processes, techniques or data used by your company and not known generally to the industry. The government only protects against theft of the secret. However, once it is publically exposed anyone can use it. The repercussions are against the person who stole the information.

Generic Examples of Trade Secrets

- Sales Contacts & Customer Names
- Price Lists & Discount Structure
- Company finances
- Component manufacturing drawings

Specific Examples of Trade Secrets

- Bush's Baked Bean Family Recipe
- Formula for Coke
- Recipe for Kellogg's Frosted Flakes

Legal Protection

There are laws to protect intellectual property, just as there are laws to protect physical property. Protecting these rights requires that the owner of the intellectual property show "*due care*" in handling his property. Due care revolves around the principle; if this is truly a valuable item how would it be treated? If the owner does not show *due care*⁷ for his property a court could rule it "*abandoned*", and open for use.

The Law Has Teeth

In 1997 General Motors settled a suit against Volkswagen for \$1.1 Billion. GM's VP of Purchasing Jose Ignacio Lopez de Arriortua took a new job at Volkswagen. Just before Mr. Lopez left General Motors he printed out reams of data on GM's vendors and purchasing practices. That was enough evidence to indicate Volkswagen stole General Motors' trade secrets.

If a company violates the legal protection they are liable to pay the monetary value of the theft to the owner. If it can be proved they did it intentionally they are liable to pay triple the value.

Confidentiality Agreement

"Special Relationships" are bound by Fiduciary Duty. An employee is a fiduciary of the employer. A vendor is a fiduciary of the customer. Being a fiduciary carries an obligation to work

⁷ Effort an average prudent person would reasonably take to avoid a problem

in the interest of the other party. Nondisclosure agreements or proprietary notice statements on documents are reminders of a person's fiduciary duty. It is *belt and suspenders*⁸ to the company to assure they do not lose their property, even if it is IP.

A confidentiality agreement serves to notify people of your intent to protect those rights. Employees should sign a confidentiality agreement. Vendors should also be required to sign confidentiality agreement. Vendors know your purchase volumes and costs, work with people in various areas of your company, and are given all of the engineering information required to make your parts. They know more about your company than many employees. Do not neglect your company's manufacturer's representatives and distributors. They have an inside channel to your proprietary information, but also an interest in their own prosperity. Put a confidentiality statement in your agreements with them to remind them of their fiduciary duty.

Labeling

Part of protecting your information is to let everyone know which information is proprietary. A proprietary statement is not required, but it removes all doubts as to what is confidential should be on all drawings and specifications. It is surprising the number of companies that will stamp a financial statement or marketing study proprietary, or confidential, but ignore documents showing how to make its product. A proprietary statement, on drawings distributed on a selective basis, can show "due care" to protect the information. Companies should have their legal counsel review company policy on "due care" of information.

Proprietary statements are good but don't cry wolf. If the statement is applied to documents that are not a trade secret it diminishes the protection. When it is put on documents that are not trade secrets people learn to ignore it. The most typical abuse is a proprietary statement intended for manufacturing drawings put on drawings made to be freely supplied to customers. These documents should be copyright labeled but they are not proprietary.

A competitor, or any third party, should refuse receipt of proprietary labeled information they are not entitled to. Most state laws have both civil and criminal statutes. If the document is unlabeled they could claim they believed it to be public data.

Physical Security

Information must be treated as a valuable item. If the documents containing confidential information are not treated as a valued item, all fiduciary duties, agreements, labeling, etcetera, may all be ruled as abandoned. To be considered a trade secret, it must take an illegal act for an outside party to obtain the information. Trespassing, breaking fiduciary duty, etcetera are illegal acts.

A \$60 million division of a \$13 billion corporation did not have space in the Engineering Department to keep their manufacturing drawings. So they put the drawing filing cabinets in the cafeteria, with a copier next to it so you could easily duplicate them. The cabinets were not locked. The cafeteria had employees and company visitors coming and going, with it being vacant for large parts of the day. The Engineering Department did keep their office supplies in a locked cabinet.

Remember showing *due care* is key to protecting your information. In the previous example do you think the company showed due care? Protection must be commensurate with its value. Believe it or not, this was a real example. Simple locks installed on the cabinets corrected the situation.

Decide how to protect the information so the competition cannot use it against you. Consider a company policy on proprietary statements, confidentiality agreements, and due care of information. Most industrial espionage is a machine shop getting a copy of one of your component drawings, and pirating your replacement part sales.

⁸ Extra protection; if the belt breaks the suspenders keep the pants from falling

Public Domain

This is free for anyone to use as the air we breathe. In this case the government protection is to assure everyone can use it. This is IP that is such an integral part of society that it must be free from ownership. The American flag is a trademark that is public domain. A black and white car with red and blue lights is trade dress for police that is public domain. Einstein's equation for energy is public domain, where it would have been copyrighted.

The words escalator, yo-yo, butterscotch, zipper and aspirin were once trademarked brand names. They were so widely used as a generic term; society forced them into the public domain. You may remember Kleenex ran a series of television commercials where they used a tag line "not all facial tissue is Kleenex" and went on to tell you how much better they were than generic brands. Why? They were at great risk of losing their brand name to public domain. Band-Aid has been using the jingle "I am stuck on Band-Aid brand..." in their commercials to maintain their brand name. Xerox managed to keep their name by getting people to use the term 'copy' instead of 'Xerox'.

About the author:

James K. Simonelli is a Licensed Professional Engineer with 30 years experience designing and troubleshooting machine automation, heavy duty equipment and industrial products. He has a broad background with department head roles in engineering, quality and business development in companies varying from startups, turnarounds to Fortune 100 corporations. Mr. Simonelli has served on committees developing industrial standards for the American Gear Manufacturers Association and the Hydraulics Institute.

Mobile: 404-702-3050; Email: j.simonelli@att.net; Skype: jim.simonelli; [Linkedin: www.linkedin.com/in/jsimonelli](http://www.linkedin.com/in/jsimonelli)