Protecting Clients' Intellectual Property Assets They May Not Even Know They Own

UTAH STATE BAR
BUSINESS LAW SECTION

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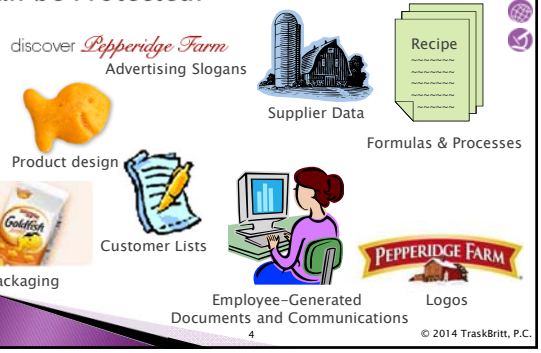
Background: General Definition of Intellectual Property

- IP includes creations of the mind for which exclusive rights are recognized
- Various types of information can be considered IP
- Type and scope of protection depends of the type of creation

Background: Purposes of Intellectual Property

- U.S. Constitution, Article 1, Section 8:
  - "To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes;"
  - "To promote the Progress of Science and the useful Arts"
- Financial Incentive for creation
  - USPTO estimates value of US IP >$5 trillion, employing 18 million Americans
- Natural rights of creators

Background: What Types of Information can be Protected?



Background: Types of Intellectual Property and Related Concepts

Type of Right	Fees?	Examination?	Term
Trademarks and Trade Dress	Yes, if registered	If registered	Perpetual, if renewed
Domain Names	Yes	No	Perpetual, if renewed
Trade Secrets	No	No	Perpetual, if kept secret
Copyrights	Yes (nominal)	No	70 years beyond author's death; or 95 years (corporate authors)
Patents	Yes (high)	Yes	Up to 21 years from filing

Trade Dress

- Product design and appearance
- Packaging, ambience, etc.
- Related to trademark protections, so trademark principles apply

Trade Dress—Case Study

- ***In-N-Out Burgers v. Chadders Rest.***, 2007 U.S. Dist LEXIS 47732 (D. Utah 2007).
- In-N-Out filed for TRO to prevent use of allegedly distinctive trade dress (restaurant design, décor, and uniforms) and trademarks

Trade Dress—In-N-Out v. Chadders


Trade Dress—In-N-Out v. Chadders


Trade Dress—In-N-Out v. Chadders

Trade Dress—Case study

- ***Shelbyco Inc. v. Western Trimming Corp.***, 43 U.S.P.Q.2d 1140 (D. Utah 1997).
- Trade dress infringement based on similar scrapbooking paper designs
- Injunctive relief denied because plaintiff failed to establish that its designs identified source of goods

Trade Dress—Shelbyco

- Plaintiff "must show that there is a consistent overall look found in all of its specialty paper . . . ."
- Paper designs "consist of ordinary, common shapes displayed in various colors."
- Proof of copying, "is insufficient to establish that [plaintiff's] paper has acquired secondary meaning."

Trademarks (including Trade Dress)

- Governing law: Federal Lanham Act (15 U.S.C. §1051 et seq.), state common law, and Utah Code Ann. §70-3a-101 et seq.

	Federal	State Common Law	Utah Code
Registration	Possible	No	Possible
Nationwide establishment of priority	Yes	No	No
Federal Question jurisdiction	Yes	No	No

13

Trademarks (including Trade Dress)

- Why seek federal registration?
  - Establishes usage of mark as of registration date
  - Can enforce trademark rights beyond current geographic market
  - Presumption of validity of registered marks
- However, trade dress is difficult to define, and therefore difficult to register

14

Domain Names

- Internet domain names (*e.g.*, utahbar.org) are controlled by the Internet Committee on Assigned Names and Numbers (ICANN)
- Domain name disputes can be brought under ICANN's Uniform Domain-Name Dispute Resolution Policy (UDRP) or the Anti-Cybersquatting Prevention Act (15 U.S.C. § 1125(d))

15

Domain Names

	ICANN's UDRP	Anti-Cybersquatting Prevention Act (15 U.S.C. § 1125(d))
Process	Arbitration	Federal court (in rem jurisdiction)
Elements	Bad-faith registration and use	Bad-faith intent to profit Registration, use, or trafficking of trademark
Defenses	Domain name registrant shows legitimate interest in the domain name	Registrant had reasonable grounds to believe that use of the domain name was fair use or otherwise legal
Remedies	Transfer of domain name	Transfer of domain name with the possibility of damages for willfulness

Source: Shubha Ghosh et al., INTELLECTUAL PROPERTY: PRIVATE RIGHTS, THE PUBLIC INTEREST, AND THE REGULATION OF CREATIVE ACTIVITY 646 (3d ed. 2011).

16

Domain Names

- ***Utah Lighthouse Ministries v. Found. For Apologetic Info. & Research (FAIR)***, 527 F.3d 1045 (10th Cir. 2008)
- Defendant Wyatt used domain name utahlighthouse.com (among others) to criticize ULM's teachings.
- No products were sold.
- Content of Wyatt's site prevented confusion about whether ULM was affiliated with the site.
- SJ for defendant on cybersquatting claim because there was no "bad faith intent to profit."

17

Trade Secrets—Definition

- information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
- **(a)** 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
- **(b)** is the **subject of efforts** that are reasonable under the circumstances **to maintain its secrecy**. (Utah Code Ann. §§13-24-2)

18

Utah Uniform Trade Secrets Act

- Utah Code Ann. §§13-24-1 through -9 is similar to acts in 46 other states
- Provides injunctive relief and damages for misappropriation of trade secrets (§13-24-3 and §13-24-4)
- Attorneys' fees available for willful and malicious misappropriation and for bad faith claims and motions (§13-24-5)

What counts as a Trade Secret?

- ***CDC Restoration & Construction v. Tradesmen Contractors***, 2012 UT App 60
  - CDC employee and a former Kennecott employee started a company (Tradesmen) and placed a competing bid on a job at Kennecott Utah Copper
  - Tradesmen's bid was lower than CDC's, and Tradesmen won the contract.
  - CDC sued for trade secret misappropriation

CDC Restoration v. Tradesmen

- SJ for defendants because plaintiffs did not set forth sufficient facts to establish that the information was trade secret
- "[M]ere use of the information [by a competitor is insufficient] to sustain a finding of trade secret status . . . . [A] plaintiff bears the burden of proving the existence of a trade secret, and there is no presumption in its favor."

CDC Restoration v. Tradesmen

- "There is a difference between information an employee obtains through years of experience and information an employee obtains solely through an employer." *See also* ***Robbins v. Finlay***, 645 P.2d 623, 628 (Utah 1982).
- Information that "can be readily ascertained by performing a basic research task . . . does not qualify as a trade secret."

What counts as a Trade Secret?

- ***USA Power v. PacifiCorp***, 2010 UT 31.
- Plaintiff approached defendant about building a power plant, and shared three binders of "confidential information" under an NDA.
- Defendant issued RFP for a plant in the area, and selected another company to design and build a plant.

USA Power v. PacifiCorp

- Plaintiff sued for misappropriation of trade secrets. Summary judgment for defendant reversed by Utah Supreme Court.

USA Power v. PacifiCorp

- "A unique combination of generally known elements or steps can qualify as a trade secret, if it represents a valuable contribution attributable to the independent efforts of the one claiming to have conceived it."
- "[w]hether the product, design, or visions constitutes a trade secret is an intensely factual inquiry . . . ."

"Actual or Threatened Misappropriation"

- ***IOSTAR Corp. v. Stuart***, 2009 U.S. Dist. LEXIS 9476 (D. Utah)
- Defendants (former IOSTAR board members) had access to documents that were likely trade secrets, but were bound by confidentiality agreements.
- Plaintiff sought injunction to prevent defendants from operating competing company
- Holding: "threatened misappropriation" in UTSA is not synonymous with "risk of misappropriation."

Trade Secrets—best practices

- Specifically label material considered trade secrets
- Have employees and potential partners sign non-disclosure agreements.
- Document "reasonable efforts under the circumstances" to maintain secrecy.
  - This will be a fact-specific determination. Documentation will give a court a reason to conclude that efforts were reasonable.

Trade Secrets—best practices

- Limit access to trade secret information as much as possible: access only on a need-to-know basis.
- Consider whether employees have access to trade secrets on their personal phone or computers. Establish data security policy.
- Conduct exit interviews. Inform departing employees of duties under the law.

Confidentiality Agreements

- Useful for protecting trade secrets and for proving "reasonable" efforts to maintain secrecy.
- Agreements allow parties to partner with others without losing protection of trade secrets or patents.
- It can be difficult to get other parties to sign without knowing what you have to offer.
  - Strategy: tiered disclosure, starting with most general information. Before more is disclosed, require confidentiality agreement.

Covenants not-to-compete

- Requirements (see ***Kasco Servs. Corp. v. Benson***, 831 P.2d 86, 88 (Utah 1992):
  - Consideration
  - Necessary to protect goodwill of the business
  - Reasonable time and geographic area
  - Lack of bad faith in negotiation of the contract
  - May also require the employee's services to be "special, unique, or extraordinary." ***Robbins v. Finlay***, 645 P.2d at 627-28 (Utah 1982).

Copyright Protection

- "Copyright protection subsists … in original works of authorship 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. Works of authorship include the following categories:
- (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.." 17 U.S.C. § 102(a)

Copyright Protection

- Registration – not required to obtain copyrights.
- Registration required prior to filing suit (17 U.S.C. § 411).
  - Copyright.gov
  - $35 for online registration; $65 for paper filing.
  - Can register before or after infringing activity

Copyright Protection

- Damages –
- 17 USC 504(a) In General.— Except as otherwise provided by this title, an infringer of copyright is liable for either—

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); **or**

(2) (2) statutory damages, as provided by subsection (c).

Copyright Protection

- Damages (Cont.) – Registration is a prerequisite for statutory damages and attorney's fees:
- 17 U.S.C. 412 – In any action under this title…no award of statutory damages or of attorney's fees…shall be made for—
- (1) any infringement of copyright in an unpublished work commenced before the effective date of 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.

Copyright Protection

- Practice Tips:

1. Recognize copyrightable material (clients' and those of third parties)
2. Beware of old works. Anything published prior to 1923 is public domain, but rules get complicated for works published later (prior registration and marking requirements, renewal, now based on life of author).

Copyright Protection

- Practice Tips (cont.):

3. Ensure ownership of copyright when outsourcing generation of work.
4. Businesses may be able to secure copyright in certain works by contract through Work-Made-for-Hire provisions (17 U.S.C. § 101, 201(b)) – example: marketing or other photographs obtained for business from photographer.
5. Be aware of "Fair Use" provisions (17 U.S.C. § 107).

Database Protection

- Customer Lists
- Supplier Lists
- Pricing Information
- Marketing Databases

Database Protection

Feist Publ'ns, Inc. v. Rural Tel. Serv. Co. , 499 U.S. 340 (1991)

- Databases are compilations
- Must be at least some level of creativity in the compilation
- No more "Sweat of the Brow" Doctrine

Digital Millennium Copyright Act

- 17 U.S.C. § 512
- Notice and takedown provisions insulate service providers (*e.g.*, Youtube) from infringement if they follow procedures for removing infringing material. 17 U.S.C. § 512(a)–(d).
- If your client gets a notification from a service provider that material has been taken down at the request of a purported copyright owner based on § 512(c)(3), client can use counter notification to have material replaced. 17 U.S.C. § 512(g).

Digital Millennium Copyright Act

- Copyright owner can get a subpoena to identify alleged copyright infringers. 17 U.S.C. § 512(h).

Inventions – Utility Patents

- 35 U.S.C. 101 – "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor...."
- Law is fluctuating regarding what is patentable. (Business methods, software, modified articles of nature, game methods, etc.)
- Crafty claim drafting was a mechanism for obtaining protection in a round about way for inventions that were, at their core, directed to non-eligible subject matter

Recent Cases: Software

- ***CLS Bank Int'l v. Alice Corp.***, 717 F.3d 1269 (Fed. Cir. 2013)
  - Family of patents "relate to a computerized trading platform used for conducting financial transactions in which a third party settle obligations between a first and a second party so as to eliminate 'counterparty' or 'settlement' risks."
  - Held – Abstract Idea – not patent eligible
- ***Accenture Global Servs. v. Guidewire Software***, 728 F.3d 1336 (Fed. Cir. 2013)
  - 7,013,284 patent claims a system for generating tasks to be performed in an insurance organization
  - Specification discloses various software components, including "data component that stores, retrieves and manipulates data" and a client component that "transmits and receives data to/from the data component."
  - System claims invalid under §101 because claims offer no meaningful limitations beyond the method claim that were held patent-ineligible
  - Held – Abstract Idea – not patent eligible

Recent Cases: Business Methods

- ***Bilski v. Kappos,*** 130 S. Ct 3218 (2010)
  - Claiming a procedure for hedging risk
  - Holding: Ineligible subject matter for claiming an abstract idea
- ***Fort Properties, Inc. v. American Master Lease***, 671 F.3d 1317 (Fed. Cir. 2012)
  - Claiming a method enabling property owners to buy and sell properties without incurring tax liability
  - Holding: Ineligible subject matter for claiming an abstract idea

Recent Cases: Product of Nature

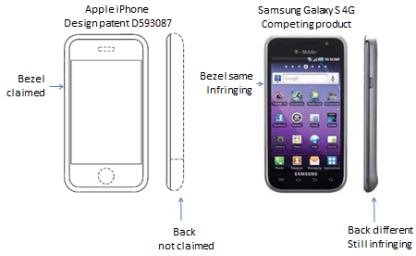
- ***Association for Molecular Pathology v. Myriad Genetics***, 133 S. Ct. 2107 (2013)
  - DNA segments are not patent eligible, even when claimed as isolated segments, which do not exist in in nature.
  - cDNA, which is modified DNA in which portions not coding for amino acids are removed, are patent eligible.

Products – Design Patents

- 35 U.S.C. 171 – "Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor..."

Products – Design Patents

- Apple v Samsung



Identifying Clients' IP

- Branding and marketing
- Proprietary information
  - Customer and supplier lists
  - Contract terms, prices
  - Documentation and knowledge
- Software
- Products – utility and/or design
- Monitor relationships with partners, employees, contractors, and competitors

Protecting and Utilizing IP

- IP can be sold ("assigned") or licensed.
- Licenses can be exclusive or non-exclusive.
- IP-type specific license provisions – consult your IP attorney as needed.

Cases Comparing Types of IP

- Trademark (trade dress) v. patent: ***Traffix Devices v. Marketing Displays***, 532 U.S. 23 (2001)
- Trademark v. copyright: ***Dastar Corp. v. Twentieth Century Fox Film Corp.***, 539 U.S. 123 (2003)
- Patent v. copyright: ***Computer Associates Intern v. Altai***, 982 F.2d 693 (2d Cir. 1992)

Questions?

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- Associate at TraskBritt, PC

- Both admitted to practice in Utah and before the U.S. Patent and Trademark Office

References

- 17 U.S.C. § 101 et seq. (Copyright)
- 35 U.S.C. § 101 et seq. (Patents)
- 15 U.S.C. §1051 et seq. (Lanham Act) (Trademarks)
- Utah Code Ann. §70-3a-101 et seq. (Trademarks)

References

- Utah Code Ann. §§13-24-1 through -9 (Utah Uniform Trade Secrets Act)
- Brian M. Malsberger, TRADE SECRETS: A STATE-BY-STATE SURVEY 2279-2322 (BNA Books, 2010); *see also* Brian M. Malsberger, TRADE SECRETS: A STATE-BY-STATE SURVEY 2013 CUMULATIVE SUPPLEMENT, 873-880 (BNA Books 2013).
- Thomas D. Boyle, *Got Trade Secrets? No? Guess Again*, 22 UTAH BAR J. 32 (Mar./Apr. 2009) (available at http://webster.utahbar.org/barjournal/2009/03/got_trade_secrets_no_guess_aga.html).
- Brian M. Malsberger, COVENANTS NOT TO COMPETE: A STATE-BY-STATE SURVEY 4505-4551 (BNA Books, 2013).