Avoiding Patent, Trademark and Copyright Problems

Author: Thomas G. Field, Jr.
Source: U.S. Small Business Administration
Description: Information on steps to take in avoiding infringement

This article is reprinted from the Small Business Forum, the journal of the Association of Small Business Development Centers, which is published by the University of Wisconsin-Extension Small Business Development Center. For information about subscriptions, reprints or submissions, please write to us at 432 North Lake Street, Room
425, Madison, WI 53706, or call us at (608) 263-7843.

Avoiding Patent, Trademark and Copyright Problems

INTRODUCTION

Intellectual property

Patents, copyrights and trademarks, as well as "know how" or trade secrets, are often referred to collectively as "intellectual property." Many firms have such property without even being aware of it or of the need to take measures to protect it.

Many peoples' notions of intellectual property are unrealistic. On the one hand, some foolishly believe, for example, that having a patent on a product will enable one to succeed in the marketplace. Consequently, they may spend thousands of dollars to obtain the exclusive rights to market something, which no one wants or can afford to buy. On the other hand, more sophisticated people may conclude that intellectual property protection is not worth the expense and bother. This discussion is primarily for the latter.

People who are not interested in protecting their own rights have to take precautions to avoid infringing the rights of others. This calls for more than the avoidance of copying. In the first place, copying is unavoidable; it is a way of life, at least from the time that we try to learn speech. Beyond that, one can easily infringe the rights of others without deliberately imitating specific features of goods or services found in the marketplace.

This publication will address the steps that newcomers to a market need to take to avoid infringement. Perhaps those who read it will be encouraged to look more closely at the value of protecting their own rights.

BETTER MOUSETRAPS

Most people have heard variations of a remark attributed to Ralph Waldo Emerson: "If a man can... make a better mousetrap than his neighbor, though he builds his house in

the woods, the world will beat a path to his door." Perhaps that's what Ford had in mind when they designed the Edsel, but they didn't find much of a path beaten to their door.

To keep the discussion concrete, let's imagine a present day inventor of a new mousetrap who not only invents a "better" mousetrap, but is also successful in marketing it. The higher the profit margin in relation to startup costs, the more others will want to copy it. Even in the absence of other legal protection, the company should be able to retain the loyalty of prior customers. Let's assume that it tries to get the most from that advantage by selecting "Figaro" as a brand name and by actively promoting it.

Possible Consequences of Failure To Secure Patent Protection

Taking measures to develop goodwill can be helpful unless the competitor turns out to be larger and better known. For example, what if economies of scale and lack of development costs mean that the competitor can sell the same mousetrap for 20 percent less? Well-developed goodwill may not be up to the task of getting customers to pay more. A patent, however, will be much more helpful because it will prevent the other firm from selling the new trap until well after the new firm has a chance to get on its feet. While some people tend to think that intellectual property protection is useful only to large firms, this situation illustrates that it is the smaller firm which often has the most to gain.

As bad as the situation will be without patent protection, it could be worse. Let's assume that people are so taken by the "Figaro" promotion that they are willing to pay the 25 percent premium necessary to keep the firm in business. Imagine what will happen if the company has to stop using that name or has to face an expensive lawsuit. Imagine what will happen if it turns out that someone else actually has a current patent on one or more features of the better mousetrap. By failing to consider the intellectual property of others, the new firm will not only be forced to stop selling under the name "Figaro," but they might also have to stop selling the mousetrap altogether.

AVOIDING PATENT INFRINGEMENT

One Need Not Copy In Order To Infringe

Patents do more than prevent copying; their owners can forbid the making, using or selling of a covered invention even though it was independently created. This is certainly true for utility patents, which is what people usually mean when they use the term "patent." These provide 17 years of exclusive rights for inventions, which deal with the way things, work and otherwise qualify. It is also true for design patents, which afford 14 years of protection for significant improvement in the appearance of useful items such as car bodies or furniture. (The only possible exception is patents on natural plants, which will not be covered in this publication.)

Copying may actually be a way to avoid infringement. Our inventor of the mousetrap might have avoided potential problems by using technology, which had been described, in a printed publication, publicly used or on sale. Products, which are on sale and give no notice of patent coverage, are relatively free from the risk of infringement.

However, if the technology is fairly new, one should keep in mind that an inventor has one year from public sale or disclosure within which to file a patent application. Further, because patents often take two or more years to issue, there is some risk that a patent

will be issued at a later time. While there is no liability for pre-issue infringement, one would nevertheless have to cease making, using or selling the technology at the time of issue, thus losing both un-recovered startup costs and inventory.

A patent search is helpful in minimizing the risk of infringement if the technology is not known to be old. But, of course, if our inventor is determined to make a better mousetrap, there would be no interest in copying something else found in the market. Still, before spending too much time and money on research, the inventor should make sure that others do not have exclusive rights in the same area being explored. The inventor certainly should not assume that because a product is not on the market, it is unpatented. As many independent inventors have learned, to their chagrin, it is usually easier to patent something than it is to market it profitably.

The Need for a Competent Search

The inventor should hire a patent attorney or agent to conduct an "infringement search." A patent agent is a technically trained person who has passed a special examination given by the U.S. Patent Office; whereas, a patent lawyer is also permitted to draft contracts and provide other general legal services. While patent searches can be fairly expensive if one needs to consult foreign records, it is much less costly to determine whether technology is currently patented in the United States. Yet, as we will see, there is value in going somewhat beyond that point.

The Possible Search Results

A search could reveal that:
1. Someone else had a patent, which has since expired.
2. No current or expired patents cover the area of proposed research.
3. Someone else has a sufficient patent or patent pending covering all or part of it.

Let's consider them in order.

1. The invention is in the public domain.

If the mousetrap (or an obvious variation) were disclosed in an expired patent, the inventor would be free to practice it without concern for the patent laws. Also, even if the inventor doesn't find exactly what he/she originally had in mind, a host of good and freely usable ideas, which are even better, might be discovered. These, alone, could be worth several times the price of the search in saving research and development time.

2. One or more elements of the proposed mousetrap appear to be new.

If, after a thorough search, our inventor's proposed improvements to the mousetrap seem to be not only novel but also to offer significant advantages over the prior art, the situation will be more complicated. The inventor could seek a patent and/or begin selling the mousetrap without further ado. If, however, the inventor begins selling without first filing a patent application, he/she will immediately forfeit possible protection in many other countries and will forfeit any possibility of patent rights in the United States after one year.

3. Aspects of the invention are covered by a current patent.

If an unexpired patent is found to cover any part of the proposed mousetrap design, the inventor will know that he/she will not be free to use it without a license. Infringing a current patent exposes one to a suit

for damages as well as an injunction against future infringement. Even an injunction might mean substantial costs, including the loss of current inventory. A patent covering only a small feature of the new mousetrap will give rise to the need to retool. While knowing infringement is more serious, ignorance of others' patents is no defense.

AVOIDING TRADEMARK INFRINGEMENT

Trademarks (brand names) Indicate Commercial Source

Trademarks may be words, logos or other symbols, which indicate to consumers that goods come from a particular company. Trademarks may even be sounds, three-dimensional symbols (such as the well-known "golden arches") or colors. There are also service marks, which indicate the source of services, and still other kinds of marks, which need not be considered here.

Copying May Be Irrelevant

As with patents, one can infringe others' marks without copying them or even being in direct competition with their owner. All that is necessary is to use the same or a similar mark under circumstances where consumers may be confused as to the source or sponsorship of goods or services.

A Trademark Search Is Necessary

A search is the only way to find out whether "Figaro" or something confusingly similar is being used by others as a mark for a mousetrap (or perhaps such things as rodenticides) in the proposed market area. It is also necessary to determine whether the mark is registered in the U.S. Patent and Trademark Office, which gives the registrant rights well beyond market areas currently occupied.

A Search May Not Be Sufficient

There are two reasons why this may be true: First, in the United States it is unnecessary for a firm to do more than use a good mark to have trademark rights in its market area. Consequently, a search may not locate all such prior users. Second, other people may be able to prevent you from using a mark even though they do not use the mark themselves. When you adopts a new mark, you also should consider whether the mark might be associated with other marks in such a way as to induce consumers to presume that some kind of relationship exists. This is where the mark, "Figaro," would run into trouble.

As you may recall, "Figaro" is the name of the cat in the Disney film Pinocchio. While Disney hardly has a monopoly on the use of the name, they might, nevertheless, be able to prevent that name from being used on a mousetrap. If that seems too farfetched, consider their concern if "Mickey" had somehow been part of the name!

AVOIDING COPYRIGHT INFRINGEMENT

Copyright infringement can be avoided by establishing that a work was independently created. Therefore, records, which show independent creation, are helpful in avoiding liability. Even with such records, establishing an independent creation may be difficult if

the original work was widely disseminated or otherwise available to the alleged infringer. In one such case the court held that, while copying may have been unconscious, the original was nevertheless infringed.
Copyrights are unlike patents in that the term is much longer (the lifetime of the author plus 50 years in the case of identifiable, living authors). They arise automatically and they are inexpensive to register. Yet, subject to some fairly basic limits, a copyright provides an owner with the exclusive rights to reproduce the work during its term.

One of the limits to copyright protection is that ideas (as contrasted with expressions) and technology (computer software aside) are generally not protected. This means that our inventor would have been free, at least as far as copyright laws are concerned, to use any information that could have been found in books on mousetrap designs, and he would also be free to make and sell working copies of anything shown or described. A copyright gives the owner only the right to prevent reproduction of the text or drawings themselves.

What if the inventor wants to use some of the text, for example, in an advertisement? While there is a remote possibility that such use might be protected under the so-called "fair use" defense, it is very unwise to proceed without getting permission or expert advice.

AVOIDING MISAPPROPRIATION OF TRADE SECRETS

Trade secrets overlap the subject matter of both copyrights and patents. As long as efforts are made to preserve secrecy, a suit may be brought to redress the misappropriation (or wrongful taking) of almost any kind of information of competitive value. Misappropriation, of course, includes industrial espionage and breaches of confidential relationships (for example, by former employees), but it does not include reverse engineering. Thus, a trade secret action will not succeed where any aspect of a product's design or construction was obtained by examining an item purchased in the marketplace, nor will it be useful against those who independently discover a secret process or recompile commercially valuable information.

Consequently, the situation would have to change dramatically to pose any risk of our mousetrap inventor being held liable for misappropriating a trade secret. The risk is never very high, particularly if one seeks competent legal advice before using unlicensed information, which has not been obtained through reverse engineering.

WHAT YOU DON'T KNOW CAN HURT YOU!

Whether or not our mousetrap inventor takes measures to preserve the intellectual property, he/she certainly should avoid infringing on the rights of others. While this would not be difficult in the case of copyrights and trade secrets, patents and trademarks are another thing altogether.

Unquestionably, it will cost precious startup capital to have patented and trademark searches performed. Proceeding in a new venture without doing so is equivalent to erecting a building or signing a long-term lease without checking the real estate title. Searches will not make the product appeal to the public, but they will ensure enjoyment of any hard-won market success. A patent search is comparatively cheap insurance against the possible need, for example, to retool or to absorb inventory losses.

Moreover, a close look prior to adopting the trademark will be cheaper in the long run than writing off the cost of prior advertising and new promotions designed to advise customers to seek the mousetrap under a new name.

If the inventor takes measures to avoid infringing the rights of others, perhaps he/she will also decide that his intellectual property warrants better protection. Whatever the decision, the inventor will feel better knowing that he/she was informed - and you will too!

THE NEED FOR EXPERIENCED COUNSEL

Any attorney admitted to practice in any state in the country is technically qualified to register trademarks with the U.S. Patent and Trademark Office or copyrights with the Copyright Office in Washington, DC. No special examination is given to determine whether the attorney is familiar with the trademark law or registration procedures. Clients would be well advised to seek an attorney who specializes in such matters.

FURTHER INFORMATION

The publications *Ideas Into Dollars* and *Trademarks and Business Goodwill* are also available from the SBA. For additional materials contact: · Register of Copyrights, Copyright Office Library of Congress,
Washington, DC 20559. (202) 707-9100
· U.S. Department of Commerce, Patent and Trademark Office,
Washington, DC 20231.
· General Trademark or Patent Information. (703) 557-5249.
· Status Information for Particular Trademark Applications. (703) 557-5249.
· General Copyright Information. (202) 479-0700.
· United States Trademark Association, Six E. 45th Street, New York, NY 10017.
You may want to consult one or more of the many inventors' handbooks, which are available at public libraries. The following titles are only a few examples.
· *How to Profit From Your Ideas*. by Flemming Bank, FL. Bank and Associates, P.O. Box 20365, Portland, OR 97220. $12.95. A step-bystep guide, which shows how you can make money by turning your creative ideas into marketable products.
· *Patents, Trademarks, & Copyrights*. by Lawrence E. Evans, Jr., 1986. Gunn, Lee and Jackson, Eleven Greenway Plaza, Suite 1616,
Houston, TX 77046.
· *So You Have an Idea*. Copyright in Visual Arts and Copyright for Computer Authors from the Innovation Clinic, 2 White Street,
Concord, NH 03301. Please send $1.25 and a self-addressed, legalsized envelope for each booklet
We hope this publication has met your business needs. For a free copy of the *Directory of Business Development Publications*, please write to: Publications, P.O. Box 1000, Fort Worth, TX 76119, or contact your local SBA office.
SBA has a number of other programs and services available. They include training and educational programs, advisory services, financial programs and contract assistance. Our offices are located throughout the country.

For the office nearest you, consult the telephone directory under U.S. Government or call the Small Business Answer Desk at 1-800-U-ASKSBA (1-800-872-5722). In Washington, DC, please call 653-7561. All of SBA's programs and services are extended on a nondiscriminatory basis.
Developed by the University of Arkansas at Little Rock
Small Business Development Center

Last revised 10/4/07