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*This is a summary of general principles of patent, copyright, trademark and trade secret law. It is intended as a supplement to the intellectual property rights and remedies presentation at the 2004 Game Developers Conference entitled “**Minefields in Video Game Intellectual Property Protection.**” It is important to note that the laws and principles described may change at any time. In addition, this summary necessarily contains generalizations that may be subject to unstated material qualifications or omissions. Legal representation should be obtained in the event you have specific questions regarding a covered topic. This paper does not create an attorney/client relationship nor constitute legal advice.*

The Game Developers Conference presentation will address particular areas of intellectual property of particular relevance to the independent game developer. The most common “minefields” are found in development agreements and employment agreements, both of which seek to allocate intellectual property rights between the parties, in copyright work-for-hire rules, trade secret disclosures, and the panoply of requirements to secure registered rights. The available intellectual property choices and strategies are best understood in the context of the operative legal rules. This summary distills the large body of law organized under the heading of intellectual property.

OVERVIEW

Patents, trademarks, copyrights and trade secrets present variations on the theme of securing ownership rights to a wide assortment of intangible creations such as inventions, writing, music, drawings, paintings, sculpture, photography, designs, software, brands and the like, known collectively as intellectual property. Each form of intellectual property has its own set of detailed principles and procedures governing protection and enforcement. The rights afforded by each, although distinct, often can be used in combination to secure significant legal protection. Equally, it is important to understand these rights to avoid accusations that you have violated the intellectual property rights of others.

A **patent** protects certain novel, useful and nonobvious inventions having a utilitarian function. The owner of a patent has rights superior to all subsequent inventors, but for a limited term of 20 years (17 years for patents issued prior to June 8, 1995). Rights to an invention are not protected from use by others unless a patent is obtained from the

United States Patent and Trademark Office (USPTO). In exchange for the monopoly rights granted to the patentee during the patent term, a patent contains full public disclosure of the invention which may be freely exploited by anyone once the patent expires.

Conversely, an invention or other confidential information can be maintained indefinitely as a **trade secret**. The owner of a trade secret can preclude others from disclosing nonpublic information obtained from the owner, but the owner cannot stop independent discovery and use of such information. It is said the Coca Cola Company elected to keep its syrup “formula” a trade secret rather than obtain a patent because the patent would have only a limited term, after which anyone could use the formula disclosed in the patent. A patent does not protect ideas, only the functional embodiment of an idea in a new and useful device or method. A trade secret can be used to protect the idea itself from use by others. The protection accorded trade secrets is a matter of federal and individual state laws, the latter of which often are modeled upon the Uniform Trade Secrets Act.

A **copyright** protects creative expression in any medium. As with patents, it does not protect the idea, only its expression. The text of the play *Romeo and Juliet* would be subject to copyright if written today, but its idea of lovers doomed by interfamily prejudice would not preclude the same theme in the musical *West Side Story*. This principle applies to so-called *scenes a faire*—stock literary devices like plots, incidents, scenes and characters. In the field of video games, this concept is captured in the term “genre.” It enables such similar games as *Street Fighter*, *Virtua Fighter*, and *Mortal Combat* to coexist without copyright infringement. A copyright protects against only actual copying; therefore, another person can claim rights to identical expression so long as it was not copied. Theoretically, two people working without knowledge of each other could paint the same picture, write the same software, or take the same photograph. Each could copyright their creative work. The concept of copyright “expression” does not include individual words, names or titles. The duration of a copyright currently is the life of the author/artist plus seventy years, or a fixed period, as discussed below, for anonymous or corporate authors. It is not necessary to register a copyright, although important enforcement benefits are conferred by doing so. Copyright registration is the statutory responsibility of the United States Library of Congress.

A **design patent** relates to one form of artistic expression, namely nonfunctional ornamentation of “articles of manufacture.” Toy action figures may be the subject of design patents. Like a utility patent, a design patent must be obtained from the USPTO. It lasts for 14 years. Unlike a copyright, which also covers certain forms of artistic ornamentation, the owner of a design patent can prevent others from using the exact design even if they create it independently, without copying. It is possible at the same time to obtain a utility patent on the functional aspects of a device and a design patent on the nonfunctional, ornamental elements. In both cases, the subject matter must be new and nonobvious. The distinction between utility and design patents lies in functionality.

A **trademark** is any word, symbol or device that serves to identify the source or origin of particular goods or services. MARRIOTT, McDONALDS, and MICROSOFT are examples of famous word marks. The stylized “eye” of CBS Television and the bridge graphic of Cisco Systems are examples of design trademarks. The stylized COCA COLA lettering is a combined word and design mark. The nonfunctional trade dress of a product—the product’s “total image”—is also capable of serving as a trademark. Illustrations are the case design of the Microsoft Xbox and Shalimar perfume bottle. Unlike a copyright, a trademark can be obtained for a word or title, as long as the word or title signifies the source of the product or service. For example, the words “star wars” and “Harry Potter” cannot be copyrighted as the title of a book or film, but they can serve as a trademark for a series of films and for merchandise related to the book or film. (The creative content of the Star Wars and Harry Potter stories, including such things as characters, costumes, dialogue, and music, is protectable by copyright.) Ownership of a trademark is established by first use. It is not necessary to register a trademark to secure exclusive rights but, as with a copyright, registration confers significant benefits. The USPTO registers trademarks, as do the individual states. The federal trademark law is known as the Lanham Act. A trademark lasts as long as it is in use to identify the source of goods or services. A federally registered trademark is renewable every 10 years as long as the mark continues in use in interstate commerce.

The federal patent protection accorded to hybrid plant varieties and the design of semiconductor chips, and state laws providing a right of publicity to individuals, are beyond the scope of this paper.

PATENT LAW

American patent law is based on the United States Constitution and a federal statute, the **Patent Act**, as amended. There is no applicable state law.

Types of Works Protected

Patent law protects inventions and processes (“utility” patents) and ornamental designs (“design” patents). Inventions and processes protected by utility patents can be “any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof. . . .” In general, laws of nature (for example $E=mc^2$), physical phenomena and abstract ideas lacking a practical application are not patentable. Recently, inventors have applied for so-called “**business method**” patents covering such computerized activities as Amazon’s “1-Click” Internet purchase system and Priceline’s Internet system for submission of binding offers to competing sellers. One recent “inventor” was able to secure a patent for achieving sideways motion on a child’s swing by means of shifting a person’s weight to one side of the swing while simultaneously pulling on the opposite rope. Concern (and ridicule) about the proliferation of method patents that seemed to many to be “obvious” resulted in the passage of the **American Inventors Protection Act of 1999** providing enhanced defenses to method-patent lawsuits. The patentability of computer software, which is

comprised of “mathematical algorithms,” is now settled. A mathematical algorithm is not patentable subject matter to the extent that it is merely the embodiment of an abstract idea. However, the practical application of a mathematical algorithm to achieve a useful, concrete, and tangible result is patentable subject matter. Hence, software that enables a processor to convert data into animated figures on a screen—for example, a video game engine—comprises patentable subject matter.

In contrast to utility patents, design patents cover only nonfunctional aspects of a tangible object, such as the Academy of Motion Picture Arts and Sciences “Oscar” statuette or the purely ornamental design features of a cell phone case.

Standards

To qualify for a utility patent, an invention must be (1) new, (2) useful, and (3) nonobvious to a person of ordinary skill in the art to which the invention pertains. To satisfy **novelty**, the invention must not have been known or used by others in this country before the patent applicant invented it, and it also must not have been patented or described in a printed publication in the U.S. or a foreign country before the applicant invented it. The **utility** criterion is easily met. The invention must have some practical use and not be merely frivolous. Efforts to secure a patent for the ever-illusory perpetual motion machine fail because they have yet to achieve perpetual motion. To meet the **nonobvious** requirement, the invention must be sufficiently different from existing technology and knowledge so that, at the time the invention is made, the invention as a whole would not have been obvious to a person having ordinary skill in that field. Much of the determination of patentability of an invention relates to whether it was known in the “prior art.” Often this determination is made based on whether the invention is disclosed in one or a combination of prior patents. For this reason, a patentability opinion from patent counsel based on a comprehensive search and analysis of prior patents is commonly the first step to determine whether to proceed with a patent application.

To qualify as a design patent, a design must be new, original and purely ornamental. The novelty and originality (nonobvious) criteria are similar to those of a utility patent. The ornamentation features of a design patent and the utility features of a utility patent are polar opposites.

Procedure

Patent protection is obtained by demonstrating in an application filed with the USPTO that the claimed invention meets the stringent standards for grant of a patent. Even if an invention or process appears to satisfy the requirements of novelty, utility and nonobviousness, a patent will not be granted if the invention was patented, described in a printed publication in the United States or abroad, or in use prior to the application date. This is true even if the inventor was unaware of the publication or use. Pursuant to the **on sale bar**, if the invention was in public use or on sale in the U.S. more than one year before the application date it is ineligible for patent.

As of this writing, it is common for a patent application to take more than two years to be processed by the USPTO. The cost in processing and legal fees for the typical software patent exceeds \$10,000, and can easily increase to several times that amount for complicated matters.

Design patents cover any “new, original and ornamental design for an article of manufacture.” A design patent has attributes more closely aligned with a copyright in that it covers nonfunctional, ornamental aspects of an object that are the applicant’s original creation. It is easier to obtain, the paramount consideration being novelty and nonobviousness. However, a design patent is considered relatively weak, is for a limited period, and difficult to enforce. Because the ornamental design of an object may also serve as a trademark, trademark registration rather than, or in addition to, a design patent may be obtained in appropriate cases. An example of an ornamental design that is the subject of both design patent and trademark is the Jaguar automobile hood ornament. In a limited number of cases, an artistic ornamental design may also form the basis of copyright registration. A sculptural lamp base is an illustration.

Ownership

In general terms, the inventor is the owner of the patent. There may be multiple inventors, each of whom must be identified as a co-inventor on the patent. **Employee ownership** of his or her invention raises a number of issues. An employee may be the absolute owner of a patentable invention if the invention occurs outside the scope of his or her employment and on the employee’s own time, and it does not involve use of the trade secrets, property or facilities of the employer. A patentable invention created by an employee within the scope of his or her employment is still “owned” by the employee for purposes of listing on the patent. However, an employee may have a legal obligation to transfer complete ownership to an employer under patent law’s “hired to invent” doctrine. In the absence of a contract specifying the respective rights of employer and employee to inventions made by the employee within the scope of employment, an employee may have a legal obligation to assign all rights to the employer if the employee was hired for the specific purpose of creating the invention. In a second category are employees hired for their general creative or inventive skills, but not specifically to create an invention. Provided the skills and duties are sufficiently related to the invention, courts have held a duty to assign the invention rights to the employer. In a third category is an employee whose job duties are unrelated to invention. This employee has no duty to assign rights in inventions to the employer. Nonetheless, the employer may be entitled to a royalty-free, nonexclusive, nontransferable license to use the invention if it was created on the employer’s time and using the employer’s property and facilities. This is commonly referred to as a “shop right.” In view of the uncertain interpretation a court may give to particular employment facts, the subject of ownership of employee inventions, as well as other forms of intellectual property, should be addressed in a written employment agreement signed by the employee at the outset of employment. In states like California, employers are statutorily limited in the waiver of invention rights they may demand from employees by contract.

Inventors have used a variety of devices, short of incurring the expense of a formal patent application, to establish the priority date of their invention. Common are notarized notebooks and diaries. The ineffectual practice of mailing a sealed self-addressed envelope containing the invention description to obtain the post office date stamp remains popular. The Patent Act was amended to allow for a provisional application to address this issue. **The provisional application** enables an inventor to claim as the filing date of a subsequently filed formal application the date of the provisional application provided it properly discloses the subject matter. The fees for a provisional application are less than a formal application, it does not require claims or a declaration, and it is subject to less stringent USPTO review. There are limitations to a provisional application that should be understood before it is undertaken. One drawback of a provisional patent application is that the scope of disclosure cannot be later expanded to claim additional inventive subject matter.

Exclusive Rights

A patent owner has the right to exclude others from making, using, or selling the patented invention or design in the United States during the term of the patent. A person can infringe the patent even if they did not copy the patented invention or even know about it. A utility patent covers not only the exact invention claimed but also its functional equivalent that achieves the same result by comparable means. A design patent covers designs that are substantially similar to the patented design.

Duration

A utility patent is granted for 20 years from the date of patent issuance. The previous period was 17 years. There are statutory provisions to extend duration for inventions whose approval is delayed by certain USPTO or Food and Drug Administration (in the case of pharmaceuticals) action. A design patent is granted for 14 years. Once the patent on an invention expires, anyone is free to make, use or sell the invention or design. Moreover, the patent supplies a detailed description of the invention, facilitating its lawful copying once the patent expires.

Notice

Although not required, notice of a patent may be indicated on a product by the statement that it is patented or by printing the patent number and date on the article or affixed label. There is no official patent notice symbol as such.

International Scope

The oldest and most important international treaty on intellectual property is the International Convention for the Protection of Industrial Property originally signed in Paris in 1883 (**Paris Convention**). The Paris Convention covers patents, industrial designs, trademarks, trade names and unfair competition. It requires each signatory nation to protect the intellectual property of foreign nationals to the same extent and under the same conditions as that nation protects the intellectual property of its own citizens. The Paris Convention also provides priority rules that enable a filing in one

signatory nation to relate back to an earlier filing in another. The **Patent Cooperation Treaty** goes further and creates an international patent filing system under which patents filed in national and certain regional patent offices may eventually mature into patents in any one or more of the signatory countries. The **European Patent Convention** establishes a European Patent Office as a single place to file patent applications for member countries.

More Information

The Internet site of the USPTO is www.uspto.gov. It contains information, instructions, fees, forms and a patent search facility. The British Patent Office equivalent is www.patent.gov.uk. Another useful web site for American patent information is the IBM Patent Server (<http://patent.womplex.ibm.com>).

COPYRIGHT LAW

American copyright law is based on the United States Constitution and a federal statute, the **Copyright Act of 1976**, as amended. There is no applicable state law.

Types of Works Protected

Copyright law protects the expression of an idea, not the idea itself. Almost any expression can be the subject of copyright protection. The Copyright Act refers to “**original works of authorship**,” specifically including literary works; musical works, including any accompanying words; dramatic works, including any accompanying music; pantomimes and choreographic works; pictorial, graphic, and sculptural works; sound recordings; and architectural works. Software code is considered a work of authorship. The subject matter of copyright includes compilations and derivative works. Copyright protects most multimedia works—e.g., video games—that are audiovisual works, compilations, or derivative works, or a combination of these. In addition, copyright protects the underlying computer software which implements a multimedia work, as well as the “look and feel” of the user interface in a multimedia work.

Equally significant is what copyright does not protect. The Copyright Act expressly states: “In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery. . . .” Titles and names standing alone are not copyrightable. Even renowned titles like *Star Wars* and *The Wizard of Oz* are not subject to copyright protection. It also is impossible to copyright facts apart from the original expression of the facts. For example, telephone numbers are “facts” that cannot be separately copyrighted. A directory of telephone numbers arranged alphabetically by customer cannot be copyrighted for the additional reason that it lacks originality. But a directory listing telephone numbers in a novel manner that requires effort to create, perhaps arranged by customer age or type of dwelling, may be subject to “thin” copyright protection. The copyrightable subject matter would be the arrangement of the telephone numbers. It would not include the telephone numbers (“facts”) themselves.

Standards

There are two criteria that must be met for copyright protection: originality and “fixation in a tangible form.” The **originality** threshold is low. The work merely must be the author’s own product and not copied. The crucial element of **fixation** is that there is a physical embodiment of the work. It is irrelevant that the images cannot be viewed without a machine, such as a computer or CD. Unfixed works, such as an untaped live broadcast, are not subject to federal copyright protection. The text of Martin Luther King’s “I Have A Dream” speech is copyrighted because it was written in advance. His actual delivery (performance) of the speech is separately copyrighted because it was recorded on film. Had it not been fixed on film, the delivery of the speech could not be copyrighted. The official speeches of government officials are public works that cannot be copyrighted. Thus, President Lincoln could not copyright “The Gettysburg Address.”

Procedure

If a work meets the minimum requirement of originality and is fixed in a tangible or perceptible medium, it is automatically the subject of copyright protection. It is unnecessary to obtain a copyright registration from the Library of Congress in order to claim copyright protection. However, suit to enforce the copyright through injunction and recovery of damages may not be brought until the copyright is registered.

Registration also enables the copyright holder to seek statutory damages (no less than \$750 nor more than \$30,000 for each violation as the court determines is just; up to \$150,000 for willful infringement in the court’s discretion) in lieu of proof of actual damages. Attorneys’ fees and litigation costs may be awarded to the prevailing party, whether plaintiff or defendant, at the discretion of the court. Registration requires completion of a copyright registration form along with the registration fee (currently \$30) and two copies of the work. Criminal penalties are available in cases of willful infringement brought by the government. It should be noted that software publishers are banding together to bring enforcement actions against companies large and small that use their software without valid licenses. (A further discussion of software copyright enforcement will be found at stephenrubin.com/guides.) A copyright registration may be filed with the United States Customs Bureau in order to protect against the importation of illegal copies.

Ownership

Ownership of copyright initially belongs to the author or authors of the work. The “author” is generally the individual who created the work, but there is an exception for **works made for hire**. The author of a work made for hire is the employer or hiring party for whom the work is prepared. A work created by an employee within the scope of his or her employment is a work made for hire. If outside the scope of employment the author is the employee unless there is a written agreement giving the employer rights. For a specially ordered or commissioned work created by an independent contractor, the commissioning party is the author only if there is a written agreement expressly providing and the work falls within one of eight special categories of commissioned works (e.g., translations, compilations, part of a motion picture or other audiovisual

work). Where there are two or more authors, and in the absence of a written agreement, each is a joint owner can use or license the work without the consent of the other owner provided the use does not destroy the value of the work.

Exclusive Rights

A copyright owner has five exclusive rights in the copyrighted work: reproduction right (copy, duplicate or imitate); modification right; distribution right; public performance right; and public display right. A visual artist's **moral rights** to object to improper attribution of authorship and to require others to respect the integrity of the work is recognized in the **Visual Artists Rights Act of 1990**. Nonvisual artists, including creators of literary, musical and audiovisual works, are not covered by this law. They must find protection through other means such as contract. The **fair use** of a copyrighted work, including use for purposes of criticism, comment, news reporting, teaching, scholarship, or research, is not an infringement of copyright. A **parody** of a copyrighted work such as portraying children's cartoon characters engaged in adult entertainment also does not constitute infringement. What is a fair use or legitimate parody depends upon a balancing of factors applied to the particular facts of each case. Another exception to copyright infringement is the so-called **first sale** doctrine that terminates the copyright of the author in a specific embodiment of the work, such as a book, upon the initial sale of the work. The new owner is thereafter free to use, lend, display or sell the work. Thus far, only two states (Maryland and Virginia) have enacted versions of the Uniform Computer Information Transactions Act (**UCITA**) relating to licensing of computer software. More states have laws expressly limiting application of UCITA. UCITA significantly limits the first-sale doctrine by permitting copyright owners to restrict the rights transferred to a "license" rather than outright sale and appears to be losing momentum.

Electronic publishing rights and the right to share **copyrighted works online** is hotly debated and the subject of increasing Congressional and judicial attention. A common thread in court rulings is that conventional copyright protection is not lost merely because the medium may be Internet transmission instead of a tangible text or recording. Congress has attempted to update the Copyright Act to keep pace with technological advances, most notably with the **Digital Millennium Copyright Act in 1998**. The DMCA makes significant changes in United States law affecting Internet-related practices and businesses and bans circumvention of technological measures employed to prevent infringement. Copyright holders are now focusing on industry-wide development of such technological measures. Well-publicized lawsuits have been filed to prevent the unauthorized downloading of music. Sony has brought suits in several countries seeking to stop the proliferation of so-called "mod chips" enabling console games to be run on unauthorized hardware.

Duration

The duration of a copyright depends upon the date the copyright was created because statutory changes over the years have created differing rules. Under present law, the

copyright term for works created by an individual on or after January 1, 1978, is the life of the author plus 70 years. Anonymous works and works made for hire have a term of 95 years from the date of first publication, or 120 years from the date of its creation, whichever is sooner. Pre-1978 copyrighted works in their first term of copyright under the prior statute are granted a 75-year copyright term from the date of registration of the work. The current duration periods were upheld recently by the Supreme Court against the claim that they extended copyrights beyond the constitutionally permissible “limited times.”

Notice

The use of copyright notice is optional for works distributed after March 1, 1989. Copyright notice is beneficial to establish willful infringement. It can take any of these three forms: © followed by a date and owner’s name; “copyright” followed by date and name; or “copr.” followed by date and name. It is also customary, but not required, to add such words as “all rights reserved.”

International Scope

The United States is a member of The **Berne Convention** for the Protection of Literary and Artistic Works, an international copyright treaty for the protection of works of authorship administered by the UN World Intellectual Property Organization (WIPO). The Berne Convention is based on principles of national treatment with the result that copyright registration is done on a country-by-country basis. Signatory nations to the Berne Convention agree to uphold the copyright of foreign authors pursuant to their respective national copyright laws. Nonetheless, enforcement vigor varies considerably among member nations. The North American Free Trade Agreement (NAFTA) provides multilateral copyright protections among the United States, Canada and Mexico.

More Information

The Internet site of the United States Library of Congress is www.loc.gov. It contains registration forms, instructions, and other useful information. A second source for general copyright information is the Copyright Web (www.benedict.com).

TRADEMARK LAW

American trademark law is based upon the common (judge-made) law, the federal **Lanham Act**, and various state laws.

Types of Works Protected

Any word, symbol, name, slogan, picture, design, shape, color, sound or smell that serves to identify the source or origin of goods or services can be a trademark. There are actually four types of trademarks. A trademark is a mark (brand, logo) used on goods (e.g., DELL® for computers and peripherals). A service mark simply is a mark used in connection with services (e.g., ROCK OF GIBRALTAR symbol for insurance and investments or GOOGLE® for an Internet search service). A certification mark is used

by the owner to certify qualities or characters of the goods or services of others (e.g., VIDALIA® for onions grown exclusively in Vidalia, Georgia). A collective membership mark is used by the owner to signify membership in a group or organization (e.g., TEAMSTERS® for a labor union). This Guide discusses only trademarks and service marks, and refers to them collectively as trademarks.

Standards

The word, name, symbol or device must be capable of distinguishing the owner's goods or services from the goods or services of others. There are four categories of trademarks that are subject to varying degrees of protection. In ascending order of enforcement strength, they are:

1. **arbitrary or coined word or design**—a term that bears no relationship to the product and often has no meaning other than as a designation of source of the product such as KODAK for cameras and film, KINKO'S for photocopy and printing services, YAHOO for an Internet portal, and ION STORM for video games;
2. **suggestive**—a term that subtly suggests something about the product such as CONTACT for self-adhesive shelf paper, CITIBANK for banking services, STAPLES for office supply stores, and PLAYBOY for adult men's magazine;
3. **descriptive**—a term that describes something about the product such as VISION CENTER for optical clinics, HONEY-BAKED for honey-glazed hams, and QUIK PRINT for fast printing and duplicating services; and
4. **generic**—the common name for the kind of product such as “gold card” for credit cards, “super glue” for strong and fast bonding glue, and “lo-cal” for reduced-calorie foods and beverages.

Arbitrary and suggestive marks can perform as a trademark immediately upon use. A descriptive mark only serves a trademark after some period of exclusive use in which the mark acquires a “**secondary meaning**” in the minds of consumers apart from its descriptive connotation. It is on this basis that the highly descriptive mark TV GUIDE qualifies for registration for a television programming publication. Generic terms can never serve as a trademark, no matter how long in exclusive use. An example is the unsuccessful effort by Miller Brewing Co. to register “Lite” as a trademark for its low calorie beer. When Microsoft Corporation, owner of WINDOWS for software, sued the owner of the LINDOWS trademark, the defense presented is that “windows” is a generic term for onscreen computer displays and was in general use prior to Microsoft's adoption. A term originally valid as a trademark can become generic through indiscriminate public use. Cellophane, nylon, aspirin, thermos, yo-yo, refrigerator, escalator and Murphy bed are among examples of once-famous trademarks lost through “genericide,” the transformation of the mark through indiscriminate public use into the common name of a product or service. XEROX and FRIGIDAIRE thus far have avoided this fate through extensive promotional effort.

Procedure

Trademark rights are created by adoption and use of a distinctive mark or brand. The most effective trademark protection is obtained by filing a trademark registration application in the USPTO. Federal law also protects unregistered trademarks, but such protection is limited to the geographic area in which the mark is actually used. To qualify for federal protection, the trademark must be used in interstate commerce. Federal registration is available not only for trademarks in current use in interstate commerce but also for trademarks whose owners have a bona fide intent-to-use the mark at a future date in commerce. Registration will not be granted until the trademark is in actual use. The current fee for federal registration for each category (class) of goods or services is \$335. State trademark protection exists under common law simply by adoption and use. Protection is limited to the area of actual use within the state. State statutory registration is also available.

Ownership

A trademark is owned by the first party to use it in connection with goods or services, or the first to apply to register it under the federal intent-to-use procedure if the mark was not previously in use.

Exclusive Rights

Trademark law in general, whether federal or state, protects a trademark owner's commercial identity (goodwill, reputation, and investment in advertising) by giving the trademark owner the exclusive right to use the trademark on the type of goods or services for which the owner is using the trademark. Any person who uses a trademark in connection with goods or services in any way that is likely to cause confusion or mistake or to deceive is an infringer. Similarly, the law provides a right of action for "**unfair competition**" to confer protection against a wide variety of deceptive commercial practices causing product or service confusion, the two most common being false designation of origin (trademark or trade dress infringement) and false description or representation (false advertising). The general test for **likelihood of confusion** is said to be whether an ordinary consumer, exercising due care in the circumstances, is likely to regard a trademarked product or service as coming from the same source as the product or service of the challenged trademark. Among factors courts will consider in making this determination are (1) the degree of similarity between the marks in appearance, pronunciation of the words used, meaning and overall impression; (2) the intent of the later user in adopting the trademark, including evidence of the intention to trade on the good will of the earlier user; (3) relatedness of the goods or services; (4) similarities in marketing and channels of distribution; (5) evidence of actual confusion; (6) public awareness or "fame" of the earlier trademark; and (7) the degree of care likely to be exercised by purchasers. Application of the test is unavoidably subjective and fact specific. As just one example, similar pronunciation of differently-spelled trademarks may be a significant factor when the marks are used in connection with goods that are ordered orally over the counter, such as cigarettes, but may be insignificant when used on goods sold exclusively through self-service outlets, such as candy sold through

vending machines. A likelihood of confusion standard is applied not only by courts to determine infringement and unfair competition, but also by the USPTO to determine whether to grant registration of an application that is found to be similar to an existing registered mark or a mark for which an earlier application is pending.

In cases of proven infringement, the trademark owner can obtain injunctive relief and damages against the infringer. If the trademark is not registered, then the geographic area of exclusivity is the actual area of use and any adjacent area of natural expansion. A key advantage of federal registration is that it expands the geographic area to nationwide protection regardless of the area of actual use. State registration extends the borders of protection statewide. Federal registration also confirms advantages of additional enforcement remedies, including treble actual damages and attorneys' fees in appropriate cases. A federal trademark registration may be filed with the Customs Bureau to protect against the importation of misbranded goods. Congress enacted the **AntiCybersquatter Consumer Protection Act in 1999** to afford protection to the owners of trademarks from the bad-faith registration of the same or confusingly similar designation as a domain name.

As stated, actions for trademark infringement and unfair competition require proof of the likelihood of confusion. The Lanham Act was amended by the Federal Trademark Dilution Act of 1995 to provide a federal right of action for trademark **dilution**. Owners of "famous" marks may now sue those who use a mark that "causes dilution of the distinctive quality of the mark" without the requirement of demonstrating a likelihood of confusion between the marks. The focus of a dilution action is not to protect consumers from confusion, but to protect the investment of owners of famous marks from "blurring" or tarnishment by other businesses. In a recent Supreme Court decision, the seller of lingerie, adult novelties and gifts using the mark VICTOR'S LITTLE SECRET was found not to have diluted the famous VICTORIA'S SECRET registered trademark for lingerie. Although consumer's might "mentally associate" VICTOR'S LITTLE SECRET with VICTORIA'S SECRET, the Supreme Court held there was no evidence that the owner of the VICTORIA'S SECRET mark had lost any ability to distinguish its products from those sold by others. Actions for trademark dilution are also provided under state law. The standard to prove dilution varies from state to state.

Duration

A trademark continues as long as it remains in use. Federal registrations are subject to renewal every 10 years from the date of issuance. The duration of state trademark registrations varies by state.

Notice

While notice of trademark ownership is not required, it is advisable and aids in the establishment of willful infringement. Only a trademark for which federal certificate of registration has issued may use the notice symbol of ®. All other trademarks, including

state-registered trademarks use the superscript letters “TM” for trademarks and “SM” for service marks.

International Scope

The United States became a signatory to the Madrid Agreement Concerning the International Registration of Trademarks (**Madrid Protocol**) on November 2, 2003, becoming the 59th member country. The Madrid Protocol promises to effect a major change in the feasibility of international registrations for American trademark owners. Briefly, the owner of an application or registration in the USPTO can submit one international application to the USPTO. The application permits the designation of the Madrid Protocol member nations to which it will apply. The fee for the international application presently is \$900, and the fee for each designated member nation is \$65. The USPTO reviews the international application for compliance and then forwards it to the International Bureau of WIPO (World Intellectual Property Organization), a United Nations agency. After resolving any deficiencies, WIPO issued an International Registration with a registration date and number. WIPO then forwards the International Registration and “extension applications” to the trademark office in each of the nations designated by the applicant. The extension application is subject to examination in each country designated. If no refusal is issued within a stated period the trademark is automatically registered in that member country. Besides permitting one filing in the home country, streamlined procedure and lower filing fees, the Madrid Protocol provides for a uniform ten-year renewal cycle. For transnational products such as video games that are often localized for North American European and Asian markets, the ratification of the Madrid Protocol by the United States is a major advance. In addition to the Madrid Protocol, the **Paris Convention** has long provided for reciprocal treatment of trademarks and priority filing dates among signatory countries, including the United States. However, it is necessary to apply for trademark registration in each such country in which the trademark is in use at a typical cost of several thousand dollars for each country. As a general proposition, a single trademark application can be submitted to the European Union and, if approved, is effective within EU members. The filing fee is \$2,500. The North American Free Trade Agreement (**NAFTA**) provides multilateral trademark protections among the United States, Canada and Mexico.

More Information

The Internet site of the USPTO is www.uspto.gov. It contains information, instructions, fees and forms. With the ratification of the Madrid Protocol in 2003, foreign trademark data bases assume added importance. A useful resource is www.wipo.org.

TRADE SECRET LAW

Trade secret law is governed by the individual states. A growing number of states have enacted versions of the **Uniform Trade Secrets Act**.

Types of Works Protected

The Uniform Trade Secrets Act (UTSA) defines “trade secret” as:

information, including but not limited to, 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.*

The few states that have not adopted the UTSA commonly apply the definition appearing in the Restatement of Torts:

A trade secret may consist of any formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers.

Standards

Under the UTSA definition, information in any format can be a trade secret. Unlike copyright, there is no requirement that information exist in some “fixed” form in order to be a protectable trade secret. Nor does the trade secret have to be novel, original or creative. Instead of novel, the information must be secret and have commercial value. **Secrecy** is the crucial factor in most cases; **commercial value** is a minimal requirement. Most clearly, information generally known to the public is not entitled to trade secret protection. The general business experience, memory, and skill that inure to an individual over the course of employment also cannot be claimed as a trade secret. Matters which are completely disclosed by the nature of the goods or services are not be deemed to be secret if determinable upon inspection. Customer lists present a special case. They are likely to constitute trade secrets in situations in which the trade secret owner can demonstrate that customers are not generally known and that the customer list is not one that may be compiled easily from a telephone directory, trade association member list, or other readily available public documents.

The owner of a trade secret may disclose it to others, so long as disclosure is accompanied by an enforceable pledge of secrecy. The **secrecy test** has two prongs: (1) whether the information is generally known or available; and (2) whether the trade secret owner takes affirmative steps to safeguard the confidentiality of the information. Companies utilizing trade secret protection should adopt a trade secret protection plan; put the secrecy policy in writing and have it acknowledged by all employees; clearly identify the information as secret; and provide for secure storage and restricted access.

Transmission of unencrypted trade secrets over the Internet presents particular risks of interception or misdirection and should be avoided.

Procedure

There is no registry or other direct government regulation of trade secret information.

Ownership

An employer or hiring party generally owns trade secrets developed by employees and by independent contractors who are hired to invent or create such information. Explicit language protecting the employer's trade secrets in employment contracts is highly recommended.

Exclusive Rights

The UTSA protects trade secrets from "misappropriation." Misappropriation is defined in the Act to cover situations in which the information is knowingly acquired, disclosed or used by improper means. "Improper means" is not defined in the UTSA, but would include acting without the consent of the trade secret owner and using the information in a manner adverse to the interests of the owner. Suits alleging misappropriation under the UTSA must be brought by the trade secret owner within three years of actual discovery or of an obligation to know due to surrounding circumstances.

Duration

A trade secret lasts as long as it meets the definitional test. The UTSA provides a 3-year statute of limitations in which to sue for **misappropriation**.

Notice

There is no notice practice given the secret nature of the trade secret. Internal procedures within an organization to assure maintenance of trade secret treatment is advisable by stamping documents and restricting access.

International Scope

There are no multinational treaties or agreements specifically pertaining to trade secret law.