



# A Brief Introduction to Intellectual Property

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## Inside you'll find:

- *A guide to the structure of a patent*
- *A definition of patent infringement*
- *What a trademark license must include*
- *Who owns the works created by your employees*
- *How to protect trade secrets*
- *Important agreements that protect both employers and employees*

## Preface

Almost everyone, at some time, has a flash of brilliance in which they think of some invention that the world has been missing and desperately needs. Often, such inventions – when they make it all the way to an issued patent – end up as a mere curiosity. It's worth remembering that every “wacky patent of the week”

on an IP website was once someone's dream.

Intellectual property (IP) on a corporate level is much more than a curiosity, however. It is crucial to the success of a business to protect and properly manage its IP, so we at General Patent Corporation are offering this small booklet as a way to familiarize the public with

the basics of intellectual property. It is in no way a substitute for competent legal counsel, but it will, we hope, give you enough basic information to help you understand how the different types of IP can affect your business.



## Patents

Under United States patent law there are three kinds of patents: plant patents, design patents, and utility patents. Plant patents are mainly of interest to plant breeders, as they cover different varieties of asexually reproduced plants. Design patents, reasonably enough, cover the design and external appearance of an object – not those aspects of the object's design that contribute to its function, but only the aesthetic aspects. The majority of patents – and those whose infringement and litigation are most often in the news – are utility patents. A utility patent may cover a device or article of manufacture, a composition of matter, a method or proc-

ess of doing or making something, or, less commonly, a new application for an existing device or material.

### Anatomy of a Patent

The format and content of utility patents are relatively standardized, and generally follow this order:

1. The first page of the patent is a cover sheet, which includes a brief abstract of the disclosure or description of the invention, a representative drawing, and other useful information, such as issue date and the identity of the inventor and the original owner.
2. One or more pages of drawings of the “preferred embodiment” of the inven-

tion follow the cover sheet.

3. The patent text begins with a brief statement identifying the field of the invention.

4. A background section, which states the problem that is solved by the invention, follows this. This statement of the problem may include a description of prior solutions or attempted



solutions and the reasons why they were not wholly satisfactory.

5. Following the background section is a section summarizing the invention, including its key features and advantages.
6. Next is a section providing a brief description of the patent drawings, specifying what is being illustrated in each figure.
7. Following this is a rather lengthy section setting forth a detailed description of the invention with reference to the “preferred embodiment” illustrated in the drawings. These textual portions of the utility patent are known as the “specification.”
8. Finally, the patent concludes with the patent claims, which are the consecutively numbered sentences at the end of the patent document.

## Patent Claims

The scope of a patent is determined by its claims. What is actually protected by the patent is set forth there, and it is there that patent infringement lawsuits are won or lost (more later about patent infringement).

There are two types of claims: dependent and independent. Independent claims do not refer to any other, preceding claims. Dependent claims incorporate, by reference, each and every limitation of the claims from which they depend (to which they refer). Each dependent claim is narrower – more limited in scope – than the claims from which it depends. So if an independent claim is not infringed, the claim(s) that depend from it, being necessarily more limited in scope, cannot be infringed.

Patent holders often complain that their patent

attorneys “left lots of things out” when drafting the patent claims. However, this is not a bad thing. The more limitations included in a patent claim, the more specific and narrow the claim becomes and the more likely that an infringer will find a way to circumvent it. Thus, it is a measure of a good patent attorney to minimize whenever possible the number of limitations in the claims.

## The “Best Mode” Requirement

To be valid, a patent must be both enabling – meaning that based on the patent document, a person of “ordinary skill in the art” should be able to practice the invention – and must disclose the best mode of practicing the invention. For all practical purposes, “best mode” is synonymous with “preferred embodiment” – the method of practicing the invention that the inventor feels is the best way of doing so. (The preferred embodiment, as mentioned above, is also illustrated in the patent drawings.)

This is an area in which the inventor should be very honest, despite any temptations to the contrary. If the patent is ever litigated, opposing counsel will have the means, the resources, and the motivation to find any missing detail that defeats enablement and thereby invalidates the patent.

## Filing Gracefully

After the first sale or offer for sale of articles made in accord with an invention, or the initial public disclosure of that invention, the inventor has a grace period of one year in which to file a patent application. If the patent application is not received by the patent office within that year, the law bars patent protection for that invention.

The United States is virtually unique in offering this grace period, as most countries require that a patent application be filed before disclosure or sale of the invention (the “strict novelty” requirement).

## Prior Art and the Duty of Candor: The Inventor’s Responsibility

Just as an inventor must be truthful in disclosing the best mode of an invention, he or she must also disclose any prior art of which he or she is aware. Disclosing such prior art helps the patent examiner to avoid issuing invalid patents. If the inventor fails to disclose relevant prior art of which he or she is aware, disaster may ensue. In litigation, discovery may well uncover any references to prior art in the inventor’s files and records, and witnesses can be deposed.

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*The scope of a patent is determined by its claims, which set forth what the patent actually protects.*



## Patent Infringement

Unauthorized parties who practice the patented invention are referred to as “infringers.” If each and every limitation of a patent claim is found in an accused device or process, the claim is said to “read on” that device or process and is infringed thereby. If a single limitation is missing from the accused structure, there is no infringement (this requirement is known as the all elements rule). However, the presence of additional features in the accused structure does not negate infringement.

Patents have effect only from the date of issue. (A published patent application may give the patent owner certain, limited retroactive rights, but that subject is beyond the scope of this booklet.)

## Patent Marking

We are accustomed to seeing patent numbers on almost everything, and here’s why: by doing so, the patent owner informs the world that the product is patented and thereby puts infringers on notice of the patent rights. Placing patent numbers on products (or their packaging, if placement on the product itself is impractical or impossible) is called patent marking and is considered constructive notice. Constructive notice is not a legal requirement, but it is to the patent owner’s advantage. (If the patent owner is not practicing the invention at all, there are no products to mark and thus no marking requirement.)

If a product is produced and sold without patent marking, the owner must resort to actual notice – notifying the infringer(s) of the alleged infringement, usually via a letter. Constructive notice is preferable to actual notice for two reasons: 1) With actual notice, damages only start from the date that notice is given; and 2) A notice letter may expose the patent-holder to the risk of a declaratory judgment action – a pre-emptive courtroom strike wherein the infringer seeks to have the patent declared invalid, not infringed, or both.

## Trademarks

A trademark is a word, symbol, or combination of words and symbols that serves to identify the source of goods. A service mark performs the same function with regard to services.

Trademarks and service marks can be registered at either the state or federal level, or not at all

(nonregistered marks are known as “common law” marks). Registration allows the mark’s owner to display the ® symbol after the mark, whereas common law marks carry a TM – showing that someone is claiming proprietary rights to the mark, but not guaranteeing that the user actually has those rights.

Even if you have a registered trademark, be aware that it is registered only with respect to the goods cited. Moreover, the right to exclusive use of even a registered trademark does not extend to all goods, only those set forth in the registration and goods related thereto. So, for example, while General Motors has the exclusive right to use “Cadillac” as a trademark for automobiles, it does not have this right with regard to, say, dog food.

## Quality Control: “You Want to Put Our Trademark on That?”

An important provision in any trademark license is that of quality control. A business that has cultivated its image carefully doesn’t want to see that image tarnished by allowing its trademark to appear on substandard goods. The quality control provision requires the licensee to uphold the same standards of quality as the licensor, and may allow the licensor approval rights with respect to the design and execution of any goods licensed under the trademark.

Not only is quality control a good idea, it is absolutely essential: a license that lacks a quality control provision is known as a naked license, and the grant of such a license may result in the licensor’s loss of proprietary rights in the licensed trademark.

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## Copyrights

Like trademarks, with which they are often confused, copyrights need not be registered. However, registration is required before the copyright owner can bring a lawsuit for copyright infringement.

### What Copyrights Protect, and What They Don't

What is a copyright, exactly? It is the right to prohibit others from copying, selling, performing, displaying, or making derivative versions of a work of authorship. Copyright law includes protection for literary, dramatic, musical and artistic works and, in some instances, also confers performing and recording rights. Most importantly, today, computer software can be protected by copyright. However, copyright only protects the expression of an idea. It does not protect the idea itself or the information or data included in a copyrighted work. It merely prevents copying of the protected work.

Someone who unknowingly infringes a patent is an infringer nonetheless, but one who creates a work strikingly similar to a copyrighted work without copying it is not liable for copyright infringement.

### Copyright Notice

Any published work should bear a copyright notice – a © followed by the year of first publication and the copyright owner's name. If a work is published without a copyright notice, the author may be able to obtain an injunction barring further infringement of the work, but failure of prompt registration adversely impacts the ability to recover damages.

### Works for Hire: Whose Creation Is It Anyway?

The copyright for a work initially vests in the

author or authors who created it. However, an exception to this rule is the work for hire. Most commonly, this is a work created by an employee of a company. Employees who create copyrightable materials for their employers should be aware that these materials likely comprise works for hire, and thus legally belong to the employer who commissioned the work. And employers should be aware that works created by a consultant likely are not works for hire because the consultant is not an employee. Thus, the rights to use the corporate brochures you had designed and printed may not fully belong to your company without a written copyright assignment.

## Other Forms of IP

Standing in the shadows of patents, trademarks and copyrights are their lesser-known siblings: trade secrets and know-how; mask works; registered designs; and noncompetition agreements and nondisclosure agreements.

### Trade Secrets and Know-How

A trade secret is information that is not generally available and that confers a competitive advantage on its possessor. Examples of trade secrets include chemical formulas, manufacturing processes, machine designs, and business methods. The most famous trade secret is probably the formula for Coca-Cola, which is kept in a sealed bank vault and known by only two Coca-Cola employees at any one time (whose identities are also kept secret, and who aren't allowed to fly on the same airplane!). More commonplace examples include marketing plans, information on products under development, and other information and data that is not protectable as one of the other forms of intellectual property but which would be very valuable to your competitors.

Similar to trade secrets, know-how essentially comprises a body of information, the components of which may be individually known, but the compilation of which has competitive value. Supplier lists, customer lists, parts specifications, and quality assurance and testing procedures generally fall into this category.

Although there are no formalities associated with trade secrets, it is vital that the subject information be treated as a secret. This requirement is often overlooked. If information is to be accorded trade secret status, it must be treated as a secret by its possessor.

- Mark such information “Confidential,” and take reasonable steps to assure its security.

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*Copyright only protects the expression of an idea. It does not protect the idea itself or the information or data included in a copyrighted work.*

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- Store the information in locked cabinets, to which access is limited to those with a need to know.
- Make sure written confidentiality and nondisclosure agreements are executed by all those having access to the information, expressly barring any unauthorized disclosure.

There are no applications to file and no way to register trade secrets. Because of this, trade secrets actually require as much protection as they offer. And although they are potentially immortal, their life may be extinguished at any time.

The death of the trade secret is, simply, disclosure. Disclosure may result from inadvertence (a careless, but honest, mistake) or improper conduct. Or the information may be independently rediscovered or recreated by a competitor, either accidentally or through analysis or reverse engineering of the trade secret owner's products (or those of the owner's licensees). As with copyrights, trade secrets are unlike patents in that as long as the information was lawfully and independently rediscovered or recreated, the "infringer" isn't really infringing. The difference here is that with copyrights, the author still has a copyright; once a trade secret is known, however, its protection is lost.

For this reason, trade secrets are particularly ill-suited to certain applications. Any information that can be ascertained through product examination will remain a trade secret only for as long as it takes a competitor to purchase a sample and inspect it. As a practical matter, trade secrets are best employed as protection for manufacturing or other processing techniques that are performed in the privacy of one's own facility and that cannot be readily – if at all – discerned from an examination of the product produced thereby.

## Mask Works

Semiconductor chips are produced by a chemical etching process that utilizes a stencil known as a mask work. These chips, which may be very costly to develop, are surprisingly inexpensive to fabricate. However, patenting them would make no sense – the technology would be obsolete long before the patent even issued.

The Semiconductor Chip Protection Act provides the remedy to this problem by prohibiting the copying of original mask works that have some degree of originality (they cannot be mere variations of previous designs). Protection takes effect upon registration or commercial exploitation (first sale, offer for sale, or other distribution to

the public), whichever occurs first. However, such protection terminates two years after exploitation has begun, unless an application for registration has been filed. If registered, protection extends ten years from the time it began.

## Registered Designs

Original designs for useful articles (such as desks, lamps, watches, knives, etc.) may be registered through a process akin to the registration of a copyright or mask work. The registration must be filed within one year of the first public disclosure of the design, or protection is barred. Protection of the design commences upon the earlier of the date of registration or the date the design was first made public, and extends for a term of ten years.

Registration is barred, however, for designs that are dictated solely by utilitarian function, that are commonplace, or that are insignificant variations of commonplace designs.

## Noncompetition Agreements and Confidential Disclosure Agreements

### Noncompetition Agreements: "You'll Never Work in This Town Again!" ... Or Will You?

No less important than trade secrets and know-how, a company's human capital – its employees – should also be kept out of a competitor's hands whenever possible. Thus we have the noncompetition agreement, which is an agreement between an employer and employee that limits the employee's right to work for a competitor, or himself, should the employee leave the company. Obviously, such an agreement interferes with the employee's need for employment and narrows his or her choice of employers. A compromise between these conflicting interests exists in the form of three types of limitations included in the noncompetition agreement: temporal, scope and geographic.

The "temporal" limitation places a time limit on the agreement – a period of time during which it is assumed that the ex-employee's knowledge of the employer's

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business will become outdated or insufficient to be of any real use to a competitor.

The “scope” limitation narrows the definition of competitor. Large corporations are often comprised of more than one type of business, and the employee may wish to work for such a company in a different department, never coming into contact with the department of that corporation that would compete with his or her original employer. (Remember, the goal of the noncompetition agreement is to protect the employer’s confidential information – not to ruin or excessively restrict the ex-employee’s livelihood.)

Finally, the “geographic” limitation establishes an area in which the departing employee may not accept employment from a competitor for the duration of the agreement. However, with many businesses becoming increasingly global thanks to the Internet, this limitation is becoming outmoded and often difficult to define. If a company’s business is truly regional in nature, though, this limitation is a useful way to resolve the conflict between the employer’s and employee’s needs.

#### Confidential Disclosure Agreements

Confidential disclosure agreements, also known as nondisclosure agreements (NDAs), are similar to noncompetition agreements in that they are designed to ensure that sensitive information granted to an outside party remains protected. NDAs are commonly used when a consultant is retained or when two companies wish to collaborate on a project and such collaboration will require the sharing of confidential information. NDAs also limit the recipient’s use of the information.

NDAs present a potential difficulty for the recipient, who before signing the NDA (which is a precondition to acquiring the information from the disclosing party) cannot guarantee that he or she does not already possess the same information, or won’t receive it from another source without any restriction on its use, or won’t independently develop or discover it in the future. Thus, it is necessary to apply a few exceptions to the NDA, such as by excepting information that is:

- In the public domain.
- Already in the possession of the recipient.
- Subsequently comes into the possession of the recipient, from a source not known by the recipient to be under any obligation of confidentiality.
- Disclosed by the owner of the information to a third party without any obligation of confidentiality.
- Subsequently independently created by the recipient

without recourse to the disclosed materials (this last exception is often the subject of some disagreement, as it requires a high degree of trust).

These exceptions are standard and generally solve the problem. However, the potential recipient should request as clear and narrow a description of the information to be disclosed as possible. There should also be a time limit imposed by the NDA on the obligations. Usually, the term of these agreements does not exceed three years.

#### Conclusion

We hope that this little booklet helped to enhance your understanding of the various types of intellectual property. Now more than ever before, there is truly a need for such understanding. Whatever you do, wherever you work, you are affected by intellectual property concerns.

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## About General Patent Corporation International

GPCI provides patent enforcement services on a contingency basis, with no upfront cost to our clients. We’re one of the oldest and best-known patent enforcement firms in the US, and have secured millions of dollars in settlements and license agreements for our clients since our founding in 1987.

We at GPCI also pride ourselves on providing useful information for our clients and helping the public to understand intellectual property and its effect on businesses. We’ve written two books (*Essentials of Intellectual Property* and *Essentials of Licensing Intellectual Property*, both by Alexander Poltorak and Paul Lerner); issue a monthly newsletter on IP news, tips and topics; and administer a Yahoo!Group on patent enforcement where our experts welcome questions and open dialogue. (Of course, your questions are always welcome at [info@patentclaim.com](mailto:info@patentclaim.com).)

At GPCI, our mission is clear: *We create wealth from your wealth of ideas.*<sup>SM</sup>

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