The Strategic Marketing Institute
Working Paper

An Introduction to Patents, Brands, Trade Secrets Trademarks, and Intellectual Property Rights Issues

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1-0806
August 2006

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Envisioning, exploring and enpowering a profitable future for businesses and industries engaged in Michigan's agricultural, food and natural resource systems.

An Introduction to Patents, Trademarks, Brands, Trade Secrets and Other Intellectual Property Rights Issues

Introduction

Determining the best way to protect your investment in any type of innovation is an important issue for many entrepreneurs. Unique techniques, products, trademarks, brands and packaging are all types of intellectual property. The government offers a level of protection to inventors through patent and copyright legislation. Trademarks, brands and packaging also are offered some type of legal exclusivity. Trade secrets are innovations that a firm or individual possesses that for one reason or another the firm or individual either cannot or chooses not to patent. Trade secrets are also protected by legislation.

The best strategy to preserve the value of intellectual property can be extremely important for a business. This is particularly true in cases where the cost of entering the same industry or copying the innovation is easy. This is often the case in the agri-food system.

This paper gives a general overview of what qualifies for legal protection for various types of intellectual property. To a great extent it is a synopsis of *Protecting Your Innovations,* prepared by Volpe and Koenig, P.C. prepared for the Institute of Food Technologists' annual meeting and Food Expo. This paper is not a substitute for legal services or legal expertise. For specific questions or issues contacting a lawyer, especially one with a background in intellectual property right issues, is the best policy.

Overview of Intellectual Property

Physical property is made of up matter. It includes real estate, machines, buildings, etc. Intellectual property is a product of the mind, and while it can be manifested as physical property, the concept behind it can be copied, transported or transferred. As a result, it is easy for intellectual property to be stolen or otherwise be lost or forfeited to others (Volpe and Koenig, p.2). Creating good internal procedures and policies is important when working with intellectual property as is developing a confidentiality policy (Volpe and Koenig, p.2).

There are four basic types of intellectual property, all of which have some type of legal protection. They are:

- Patents: Patents can be granted for any new production process, machine, manufacture or composition of matter or any new useful improvement thereof. Timing of a patent is very important. An inventor needs to show conception or reduction to practice. Conception is the mental formulation and disclosure of a complete idea for a product or process. Good notes in a notebook are very important to prove conception. Reduction to practice can either be in the form of

a complete patent application or an actual working prototype. (Volpe and Koenig, p.7-8).

- Trademarks: can be a word, phrase, symbol, or design or combination thereof which identifies and distinguishes the source of the goods or services from current or potential competitors and other firms.
- Copyrights: protect artistic works such as books, plays, music movies, computer software, paintings, etc.
- Trade Secrets: is any intellectual property that gives its holder a competitive advantage over the competition. Trade secret law is not a clear cut as it is for patents, trademarks and copyrights. Furthermore, trade secret law can vary from state to state (Volpe and Koenig, p.3).

In order to protect intellectual property, a firm needs a strong confidentiality policy. Management needs confidentiality policies with respect to employees that are working with or developing new intellectual property. This includes signing confidentiality agreements which outline the employers and employees rights and responsibilities. Another type of agreement is a non-compete agreement which prevents an employee from using intellectual property for a period of time after the employer-employee relationship has been terminated (Volpe and Koenig, p.4). Employees must also be made aware of the fact that presenting results or information at trade shows, conferences, or meetings could also jeopardize a patent (Volpe and Koenig, p.6).

Another intellectual property issue occurs when a firm works with another firm. In this case a non-disclosure, non-compete, and assignment of interest agreements may be necessary. Non-disclosure agreements attempt to ensure that a consultant or outside firm do not share intellectual property with a competitor. Other examples of when these agreements are necessary include the joint development of a new prototype, the development of a business plan by an outside party, and when negotiating a merger or acquisition (Volpe and Koenig, p.5).

Patents and Trade Secrets

A patent allows the patent holder to have a limited monopoly resulting from the invention for 20 or 14 years. In exchange for the monopoly right, the inventor must make full disclosure of the invention. The rationale for this is to encourage innovation (Volpe and Koenig, p.11).

There are three types of patents. A utility patent protects new and useful inventions. A design patent protects the appearance of a good, not its functionality. A plant patent products new varieties of man-made asexually reproduced plants. Plant and utility plants are good for 20 years and design patents last 14 years (Volpe and Koenig, p.12). In order to obtain a patent, the inventor must file an application with the U.S. patent office. An innovation must meet three requirements in order for it to be patentable.

- It must be patentable subject matter, a new and useful, process, machine, manufacture, or any improvement thereof.

- It must be useful, generally any useful result qualifies.
- It must be novel. It cannot be patented anywhere else or a similar process, machine, manufacture cannot be described in an existing publication (Volpe and Koenig, p.14-15).

A patent application must be complete. An application needs to have enough information to allow one skilled in the industry to make and use the invention without undue experimentation. It must also disclose the best way to manufacture the invention, and its best use. The application also needs to prove to a person skilled in the industry that the inventor possessed the claimed invention at the time of filing (Volpe and Koenig, p.16).

As previously noted, trade secrets fall primarily under state jurisdiction. However, 42 states use the Uniform Trade Secrets Act for their trade secrets legislation. A trade secret is defined as "information including a formula, pattern, compilation, program device, method, technique or process that (i) derive 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 (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy" (Volpe, and Koenig, p.17). Clearly to maintain a trade secret, an inventor needs an excellent confidentiality policy.

A major difference between patents and trade secrets is the treatment of subsequent independent inventions. Patents protect the original inventor, no matter the source of subsequent inventions, trade secrets are not protected. Furthermore, a person could take apart a product to discover a trade secret and not suffer any negative effects. (Volpe and Koenig, p.18). This is known as reverse engineering. Another difference is that trade secrets cover more things than patents, concepts, databases, and compilations are not protected under patents, they do have protection under the Uniform Trade Secrets Act (Volpe, and Koenig, p.18).

Another advantage to trade secrets is the fact that foreigners may not have access to the information to copy the product (however, this is not the case if the product can be reversed engineered). Trade secrets are cheaper than obtaining a patent as well (Volpe and Koenig, p.19).

Trademarks and Brands

A trademark is any word, name, symbol or device, or any combination thereof used to identify and distinguish good or products from those manufactured or sold by others and to indicate the source of the goods. A service mark is the same as a trademark except that a service mark applies to a provider of services as opposed to a maker of goods. A trade name usually refers to a corporation partnership or other name of a business (Volpe and Koenig, p.23). Trademarks are an important way to convey information to consumers in a cost effective manner. Choosing and defending a trademark is often a very important part of a firm's marketing strategy.

Trademark law and regulations also apply to packaging, certification (USDA organic for example), and to identify by organization (union made would be an example) (Volpe and Koenig, p.24).

Trademarks serve the following functions.

- Source Identifier – common source of the good or service.
- Indication of Sponsorship of Authorization – for example the Olympic Rings signifies that the producer of the product is a sponsor of the Olympics.
- Distinguish goods or service – differentiates one firm's products from competitors.
- Indicate Value and Image – an effort to create an impression of quality or exclusivity in the mind of the consumer (Volpe and Koenig, pp.24-25).

Trademarks can come in a variety of forms including words, logos, symbols, shapes, fonts and letters, slogans, sounds, and colors (Volpe and Koenig, p.25). As is the case with patents, a firm interested in creating a trademark should undertake a trademark search with the government and obtain and federal registration of that mark (Volpe and Koenig, p.27). A firm may also file for an international trademark. This is a useful strategy for a firm considering selling a product overseas or who wants to protect the value of its trademark (Volpe and Koenig, p.30). The cost of obtaining the international right of a trademark is not prohibitive (Volpe and Koenig, p.31).

Trademark infringement occurs when there is a likelihood of confusion between two products and services (Volpe and Koenig, p.34). The courts consider the following things when determining trademark infringement:

- Similarity of the marks.
- Relatedness of the goods produced.
- The strength of the plaintiff's mark – level of distinctiveness
- Similarity of the market channels used.
- The degree of care used by consumers.
- The defendant's intent in selecting its mark.
- Evidence of actual confusion.
- The likelihood of expansion in product lines (Volpe and Koenig, p.35-36).

The following is a guide to selecting a proper trademark.

- Do not trademark the name of your product. If a firm cannot provide the generic name of a product without referring to the brand, the trademark is likely indefensible.
- When using a trademark in a sentence use the trademark as an adjective not a noun, alternatively always use the work "brand" after the trademark.
- In a sentence the trademark should be set aside from the rest of the sentence. Bold lettering, italics and all capital letters are examples.

- Do not allow the trademark to be defined by a dictionary or other published source.
- Use the appropriate trademark designation in print and other types of material (Volpe and Koenig, pp. 36-37).

Trademarks are often a very important part a firm's marketing strategy. They need to be chosen carefully, and they need to be defended consistently against all possible violators of that trademark.

Packaging

Packaging is related to trademarks. Packaging includes labeling, graphics, colors, designs, etc., and is important because it is the introduction of a company's product to a consumer (Volpe, and Koenig, p.38). One way to create a unique product in the minds of consumers is through trade dress which is unique packaging, labeling, etc.. Trade dress is protected by trademark law and must designate a single source, a product associated with one company (Volpe and Koenig, pp.39-40).

Copyright protection can also apply to packaging. Copyright law can apply to logos, photographs, graphics, label designs and other written works (Volpe and Koenig, p.41). Packaging also can be patented. Any new, original and ornamental design for a product may obtain a patent (Volpe and Koenig, p.42). These types of patents are valid for 14 years. It should be noted that patent law, trademark law and copyright law may all apply to a specific packaged product depending on the packaging and the writing, or artistic aspect of that package.

Conclusion

Intellectual property rights are an important issue for a firm or entrepreneur interested in protecting the uniqueness of their innovation. A patent or copyright may allow the holder to obtain a high level of profits for an extended period of time. In order to maintain that position however a good confidentiality policy is usually necessary. This includes disclosure and non-compete agreements with employees as well as firms that the innovator is partnering with. If reverse engineering is easy, filing a patent is generally a good strategy to follow. If reverse engineering is difficult and there is some concern about foreign firms copying the product, using a trade secret strategy may be the best option.

Packaging and trademarks are also afforded protection by law. Obtaining international protection for trademarks is also relatively straightforward. Packaging may be covered by a wide range of intellectual property law. Developing a unique package is also a way to differentiate one product from the competition's.

It should be noted that this paper presents an outline and introduction of various intellectual property issues. It is not designed to be a replacement for legal advice. Specific questions and issues are likely to be best handled by a legal professional.

Reference

Volpe and Koenig, P.C. *Protecting Your Innovations: Obtaining, Maintaining and Sustaining Intellectual Property Rights in Your Brand, Prodcuts and Proceses*, Prepared for the Institute of Food Technologists Annual Meeting and Food Expo, 2006.