What Every Small and Medium Sized Business Must know about IP

Myths, Mysteries, Mistakes – Debunked, Unveiled, Corrected

Just what are we trying to protect? The first thing to do is understand the different type of IP protection and their definitions.

> Trademark – a word, phrase, symbol, design , color, or other distinguishing feature, or a combination of these that identifies or distinguishes the source of the goods or service (the term "counterfeiting" refers to trademarks)
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> Copyright – an original authorship including artistic, literary, and other work (the term "piracy" refers to copyright)
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> Patent – any new, useful and non-obvious machine, article of manufacture, process or composition of matter and any improvement on these
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> Trade Secret – confidential business information, such as formulas, compositions, methods or processes, some machinery, etc
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> Right of Publicity – commercial use of persona, whether celebrity or non-celebrity

These IP rights are often confused. They are similar, but the rights are different and serve different purposes. However, they need <u>not</u> be mutually exclusive. There may be more than one form of protection for a single product. Each of the requirements of law pertaining to the type of protection desired must be met to obtain protection.

SMEs need to think of what is important to them to protect their business. One important factor that should be part of any business plan is an IP portion that identifies and places importance on the items that may need IP protection. Sometimes IP protection is more important than any other portion of a business strategy. Some businesses gain so much value from their IP protection that the IP becomes the primary source for income. One such piece of IP is discussed below.

A classic example of overlapping protection is found in the Coca-Cola bottle.

In 1915, the Root Glass Company won a Coca-Cola Company contest for a bottle design that would be recognizable by everyone, even by touch in the dark. The first design patent on the contour bottle was granted on December 25, 1923. A second design patent for the contour bottle was granted to the Coca-Cola Company on August 3, 1937, preventing imitation of the bottle for another 14 years. The bottle shape became so well known that it became synonymous with the Coca-Cola product. In 1960, the company obtained federal trademark registration on the bottle shape allowing the company to safeguard the bottle design indefinitely.

The Coca-Cola Company has multiple overlapping IP protection on its product. It received a first and second design patent on the bottle shape. It maintains a trademark on the shape and the words Coca-Cola and Coke among others. There are multiple copyrights for advertising and promotion, as well as their label. The formula for the product is still a trade secret. The company uses sports and other personalities for publicity. The protection portfolio helps protect the product that we all know and expect to be the same wherever we are in the world.

It is important that all SMEs learn to identify their IP and plan how to protect that which has economic value to the business both now and in the future.

Now let us focus on the problems that SMEs face with IP. In order to understand what can and should be protected and how to go about obtaining that protection we need to look at common problems that exist.

Problem 1 – The positive value of IP protection.

Many SMEs fail to have a basic understanding of intellectual property and its importance to their business. They do not understand that IP protection is not only for defensive purposes, but that it also contributes to the overall economic health, well-being and growth potential of a business. Without properly understanding IP's importance businesses cannot protect their strengths or provide for a prosperous future.

Problem 2 – The needs analysis.

Many SMEs fail to identify intellectual property business assets through a "needs analysis" and therefore fail to develop an overall strategy for their IP portfolio from their inception. Instead, many SMEs opt for a piecemeal, after the fact, approach that may be too late. This is especially true if the product has already been introduced or has been disclosed publicly prior to protection plans implemented, especially in the patent arena.

Problems 3 & 4 – Territoriality.

There is a failure for many SMEs to understand that patents and trademark protection are territorial. From USPTO research it was found that only about 15% of small businesses that do business internationally know that a US patent or trademark provides protection in the United Sates only. While studies have not been conducted internationally, it is believed that the percentage of SMEs in other countries doing business outside their home country may also lack understanding of territoriality as well.

Many SMEs fail to understand that a trademark registration is required in most countries to provide rights and that a patent is required in any country to allow for enforcement of its patent rights. This means that trademark protect is provided in only a small number of countries (like the U.S.) for use without registration. Likewise, the concept of "prior art" may not protect a patent holder against issuance of an infringing patent. The patent holder must have a patent in that country to enforce against any infringing patent.

Problem 5 – The "Export Only" Mistake.

SMEs that manufacture for export only may run the risk of infringing on a patent in the importing country or countries if patents are not secured in those countries. In the US, registered trademarks and copyrighted works may be recorded with the U.S. Customs and Border Protection (CBP) to help prevent *importation* of infringing goods into the U.S. Also, rights registered in other countries may be recorded to help prevent *exportation* of infringing goods (some countries also permit recordation of patents).

Problem 6 – Customs Recordation.

SMEs fail to understand that, in the U.S. and other countries, they may record their trademarks and copyrights to prevent importation into and export from of infringing goods.

Problem 7 – "Penny-wise and Pound Foolish".

Protection through trade secrets rather than through a patent in order to save money may not work if the invention can be reverse-engineered or is easily understood.

Problem 8 – Grace periods or lack thereof.

Most countries have no grace period for filing a patent application. One country that does have a grace period is the US. Many inventors think that the one-year grace period allowed in the US gives them time to file their patent application in other countries, but this is in error.

Problem 9 – Tread carefully without a patent application (PA) or non-disclosure agreement (NDA).

If the IP is patentable, file a PA to avoid disclosure of the invention. If the IP is not patentable, obtain a written NDA. Always be careful about what and to who you disclose any information.

Problem 10 – SHHH! - keeping a trade secret.

Make sure you protect your valuable confidential business information by keeping it secret. Failure to do so allows others to use the information. Trade secrets are not recorded or registered and reasonable efforts must be made to keep the information secret.

Problem 11 – Copyright protection arises upon creation.

Many SMEs think copyright is important only to those companies that create content as their primary business, e.g., video game companies, software companies, etc. But every SME has copyrightable works (or that may be copyrightable), like logos and other graphics, advertising and promotional materials, catalogs, instruction manuals, product design and packaging, etc. We'll also take this opportunity to debunk a common misunderstanding: <u>The practice of sending a copy of your own work to yourself is sometimes called a "poor man's copyright." There is no provision in the copyright law regarding any such type of protection, and it is not a substitute for registration.</u>

Problem 12 – The very common Independent Contractor problem.

This is a common misunderstanding for SMEs. There are a few others related to copyright, such as "the 7 changes rule"; the "20% changes rule"; "I provided attribution"; "I didn't make any money"; the use is NON-commercial; the "personal use exception" (not in the U.S.!); and the subject of derivative works (where the copyright in the derivative work may belong to the creator, but the creator had no right to create the derivative work or anything else with it, because of the rights of the copyright holder in the underlying work).

Problem 13 – Fair Use – never a fair as you might think!

Lack of knowledge about and appreciation for the copyright rights of others can cause difficulty for SMEs. "Fair use" has very limited applicability in the business setting and there are no "bright lines" rules for how much of another's work can be used before the use constitutes infringement. But, as others have said, "making an entire copy of anything is virtually never fair." Keep in mind, too, that the lack of a copyright notice on the work does not mean that it may be freely copied or otherwise used.

Problem 14 – Not keeping abreast of IP Licenses.

Failure to periodically review IP licenses can create pitfalls for SMEs. These reviews should check: 1) to determine compliance with the terms of existing licenses; 2) to determine the need to renegotiate the license to cover actual uses of the third-party's IP; 3) to determine that a license is no longer needed because the third-party's IP is no longer used; and, of course, 4) to determine whether the company may be using another's IP unlawfully, without the proper license in place.

Problem 15 – Not knowing about Government Resources.

Many SMEs fail to realize that WIPO, the U.S. Govt. and many other governments have substantial written resources, easily and publicly accessible through the Internet. Additionally, there are many legitimate third-party sites that can provide considerable information. Sometimes, your question can be answered with a review of these materials but at the least, improving your understanding of IP issues may help you control your legal fees! Read **all** IP-related correspondence carefully!

The Last Problem – It belongs to all of us.

Most of us have a lack of understanding that counterfeiting and piracy are problems that affect all of us, even as "home country only" businesses and individuals. Today, anyone with a computer and access to the internet can knock-off the goods or services of a company located in another country (and you may not know you've been hit). But as consumers, we continue to contribute to building the worldwide IP theft "industry" and undermining our own country's businesses, perhaps even without realizing what we are doing.

"If you keep buying them, they'll keep making them."

Keep in mind that many of these tips or problems, originally directed at SMEs from the United States, also contain good advice for SMEs in every country. What you need to do id look at the overriding IP laws that cover your country or region and modify these problems accordingly.