

## **Managing Intellectual Property**

**Or**

## **Getting More Than a Penny for Your Thoughts**

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### **Background**

The creation, development and marketing of specialty, high value added products are a concern in today's competitive industrial environment. The development of new and more cost-effective products, ingredients and formulations requires extensive creative and technical ability.

As new products are added to a firm's assets intellectual property is created. Although they do not generally appear on the balance sheet, the prudent management and commercial exploitation of such property has a dramatic effect upon a company's profitability.

Management of intellectual property includes protection of processes, machines, articles of manufacture, plants, animals, ornamental designs, mediums of expressions such as art works or music, and words, names, or symbols that serve to distinguish the goods and services of one manufacturer from those of another. Even with the most astute legal counsel available, management requires a basic understanding of the history, composition, and value of the property and its potential profitability.

## **PATENTS**

The most common form of intellectual property is the patent, from the Latin "patere" which means "to be open". The Constitution of the United States contains the legal root of the modern patent system in Article I Section 8, clause 8 it states, "The Congress shall have the power to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

Patents are intensely real life legal instruments<sup>1</sup>. They have been afforded the attributes of property by law. One of the basic concepts of patent law is the right to exclude others from the enjoyment of the protected property. The exception to this concept is the right of eminent domain which applies to inventions which have a dramatic impact upon the public good, however even in these cases "just compensation must be given". The property rights granted by patent must by law be given to the Inventor and like all other property rights, can be assigned or licensed.

There are no criminal penalties for infringement of a patent in the United States. The enforcement is a civil matter consequently, patents are enforceable in Federal District Courts. An infringer, so judged by a court, may be found guilty of contempt and ultimately imprisoned if the infringement continues. The court may order an infringer to stop making a product or to cease using a process as the statutes provide that the patentee may exclude others from making, using, or selling the claimed invention. An injunction will routinely be granted against an infringer. However, the court may refuse an injunction where such an injunction would pose public health risk. In the famous case of Activated Sludge vs. Milwaukee the court ruled that despite a valid patent there would be no injunction issued since to do so would have rendered a sewage treatment plant inoperative posing a health risk.

An applicant may under our legal system represent himself in any court, or in an application before the Patent and Trademark Office, but because the preparation and prosecution of patents require very specialized skills in the technical and legal areas, it is recommended that the prosecution of a patent be handled by a competent attorney or patent agent. The United States Patent and Trademark Office administers its own bar examination, and of 700,000 attorneys in the United States less than 10,000 actively practice patent law.

Patents can be classified by subject matter, number of inventors, or relationship of the patent to other patent applications. Classification by subject matter shows that the 6,500,000 of patents (93.5 %) issued to date are utility patents. Design patents follow with 6 % and plant patents represent only 0.5 % of all patents issued. Plant patents cover new types of asexually reproduced plants while design patents protect ornamental designs.

Requirements for a utility patent are that the alleged invention be;

- (1) novel,
- (2) Useful, and
- (2) Nonobvious.

The first two requirements are easy to understand. When a potential invention is said to lack novelty, it is identically described in prior art or is anticipated by prior art. Useful is exactly what it states. The invention must have utility but need not be better than the known alternative.

The nonobvious requirement is somewhat less clear. The following example is offered to illustrate: <sup>2</sup>

A green computer is described in a patent application. In reviewing the application on merits, the first question is, is it novel? If the literature finds no reference to the use of the color green, the invention is considered novel. The next requirement relating to the invention is utility. Clearly, there is utility in the computer and the invention passes the second requirement. Finally, the last requirement for patentability relates to the inventions being considered obvious. This requires further investigation and is less.

In patent law, obvious means easily discovered seen or understood; readily perceived by the eye or intellect of a person having ordinary skill in the art. If the green color serves no added benefit other than the color itself, then it may be considered obvious. However, assume the inventor can prove that the color minimizes static and results in a computer, which functions ten times faster than computers having another color. Clearly, this is nonobvious and unexpected. The concept of nonobviousness is based upon the invention unexpected by one skilled in the art. Patent law requires that no structural or functional difference can be ignored between a claimed invention and the prior art, unless the inventor says it can be ignored. To do so would deprive the inventor of opportunity to show even a slim nonobviousness over the prior art. For instance, in one famous case a slight tilting of a paper path from the horizontal produced unexpected benefits, which led to the U. S. Supreme Court upholding the patent.

A patent has two distinct parts the first, called the specification, is descriptive of various embodiments of the invention and the second defines the boundary lines of the property and is called the claims. The specification should be written in language enabling one of "ordinary skill in the art" to understand the invention. Generally in writing patents it is wise to write more rather than less background information into the application. The claims must in clear, concise and exact language and set forth exactly what is to be protected.

The modern patents generally conform to the following form:

- (1) Background of the invention
  - a. Field of description
  - b. Description of prior art
- (2) Summary of the invention
- (3) Brief description and/or drawings
- (4) Description of the preferred embodiment or examples
- (5) Claims

## **Other Intellectual Property**

### **1) Trade Secrets**

Trade Secrets are the form of intellectual property that covers secret formulas or processes. Trade secrets have no patent protection and can be known to a restricted number of individuals in order to be considered valid. They cannot generally be known to those skilled in the art. Trade secret law is generally controlled by state law and may vary from state to state.

A trade secret may cease to exist if the concept becomes common knowledge, for example through independent research and publications. Some are lost as an item is sold because the secret formula or process becomes ascertainable from examination of the product. Another situation in which a trade secret may become public is when a patent is issued to another who independently developed the same product or process. Trade secrets can also be lost when the owner fails to take the necessary steps to protect the trade secret. In many respects, management of trade secrets requires a higher level of sophistication than management of intellectual property covered by a patent. Trade secrets are more easily lost by mismanagement than inventions covered by patents.

Trade secrets can in theory last for an indefinite period of time. If this happens, a trade secret is in that regard better than a patent. However, the government does not reward inventors for keeping their inventions secret. A person may in fact be prevented from practicing his or her own trade secret, if a patent issues later to an independent inventor. As patent applications are kept in secret until a patent is granted it is possible to apply for a patent and to decide later whether the patent claims are the best protection. If it is felt that the patent claims are not sufficient the application may be abandoned and the owner may rely on trade secret protection.

### **2) Copyrights**

Patents and trade secrets are on tangible substances. Copyrights are vehicles to protect the expression of an idea. A copyright gives the owner exclusive rights to control reproduction, prepare derivative works, distribute copies, publicly perform, and publicly display the item or work copyrighted.

The exclusive right of the copyright does not apply against one who independently creates an identical work. Sometimes both a patent and a copyright may be applied for on different aspects of the same work. An example is a computer on which a patent protects the hardware and a copyright protects the program to operate the computer. The two stand separately in law and one does not preclude the other.

### **3) Trademarks**

Any word, name, symbol, or device used by an individual or corporation to distinguish its product from others can be the subject of a trademark. A trademark only prevents use of the trademark not of the invention. A trademark must be distinctive and not merely descriptive or generic. Apple successfully functions as a trademark for computers but is generic to that fruit. Sometimes, a trademark becomes generic and is lost. Elevator, Escalator and surfactant were once trademarks, which eventually came to describe the product rather than to identify the source of the product.

## **Use of Intellectual Property**

When one undertakes a project to develop a new or improved product, process, or formulation, a search of the available information in the public domain is the most cost effective starting point. In addition to eliminating the need to reinvent the wheel, a thorough review of the literature prior to undertaking a research project may well insure that the wheel ends up round.

There is an abundance of technical information, which is in the public domain simply by virtue of being published. Additionally, expired patents are an excellent reference base from which to commence new research. They too are in the public domain after the right to exclude has expired. There is an excellent resource in the web site [WWW.USPTO.Gov](http://WWW.USPTO.Gov) which allows for searching of patents and trademarks. This service is free of charge.

Occasionally, an unexpired patent describes but does not claim the precise area of interest. In this case one may freely use that which is disclosed but not claimed.

Since the advent of label requirements for cosmetic and personal care products, there is a multitude of sources including C.T.F.A. dictionary and several data bases, which disclose an exact chemical structure for heretofore unique product and the customer's formulation in which these products are used. These too are in the public domain.

Finally, there are a number of analytical techniques, which make the analysis of products quite mundane and give immediate information on the composition of a competitive product. This so called reverse engineering allows one to overcome a trade secret, but is ineffective in overcoming a patent. Thus with technology available to uncover secrets and the expanded resources to create them, the manager of intellectual property has a vital role in the guidance and protection of a delicate corporate resource.

Those people that are involved in the creation and management of intellectual property will increase the efficiency of their work and the ultimate

value to a corporation by understanding the basic concepts of intellectual property law.

## **References**

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