Ownership & Use Of Creative Works

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WHAT IS A CREATIVE WORK?

- A creative work is a tangible manifestation of creative effort such as:
  - Inventions
  - Literature
  - Music
  - Paintings
  - Logos
  - Slogans
PROTECTING CREATIVE WORKS

- Creative works may be protected by way of intellectual property law.
- Intellectual property is an area of law that regulates the ownership and use of creative works through a combination of patents, trademarks, copyrights, and trade secrets.
U.S. PATENTS - THE BASICS

What is a patent?

- A patent is a right granted by the government to an inventor or group of inventors to exclude others from making, using, selling, offering to sell, or importing within the United States or its territories, the invention for a limited period of time.
Common Misconception: A patent gives its owner the right to practice the invention.

Fact: A patent gives its owner the right to exclude others from making, using or selling the invention.
What can be patented?

- Generally – “anything under the sun that is made by man.”
- Which really means – any new, unobvious, and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.
You cannot patent:

- A process that is performed mentally.
- Natural phenomena or naturally occurring articles.
- Abstract ideas, scientific principles or non-useful devices, such as perpetual motion machines.
Types of Patents

- There are three types of patents:
  - Utility (Non-provisional) Patents
  - Design Patents
  - Plant Patents
Utility Patents

- May be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof.
- Protects the function over the structure of the invention.
- Most common – usually provides greatest protection.
- The term is generally 20 years from the filing of the patent application.
- Requires payment of maintenance fees to keep alive.
**Design Patents**

- May be granted to anyone who invents a new, original, and ornamental design of an article of manufacture.
- Only protects the appearance of the invention.
- Limited use – usually best used for products where there is high investment in the product appearance.
- Term is 14 years from issuance.
- No maintenance fees to keep alive.
Plant Patents

- May be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.
- Not very common.
- Term is generally 20 years from filing.
- No maintenance fees to keep alive.
U.S. PATENTS - THE BASICS

Legal Requirements - Quick Overview

- Subject Matter:
  - “Anything under the sun made by man.”

- Useful:
  - More than for research must provide utility.

- New:
  - Must have an aspect that is not already known.

- Non-obvious:
  - “Obvious” – May not be quite the same as known, but may be close.
What is a trademark?

- A trademark is a symbol used by a person in commerce to indicate the source of his or her goods and/or services.

- Trademarks protect the goodwill associated with the mark one places on his or her goods and/or services, so that the public is sheltered from confusion or deception about the origin and/or quality of the goods and/or services he or she is purchasing.
Common Misconception: A federal trademark is not worth the expense involved.

Fact: Coca-Cola Inc has a stock value of roughly $160 billion dollars. The value of the physical assets of the company are $20 billion dollars and the remaining $140 billion dollars is actually made up of its goodwill in its trademarks. Thus, for a company like Coca Cola, the most valuable property they have is the Coca Cola trademark and/or brand.
U.S. TRADEMARKS - THE BASICS

What can be trademarked?

- A logo, a word, a phrase, a design, a sound, a color, a fragrance or a combination thereof.
You cannot trademark:

- Deceptive, immoral, scandalous, or disparaging matter.
- Marks that are likely to be confused with existing marks.
- Merely descriptive or functional marks.
- Government symbols.
Types of trademark applications:

- There are two types of trademark applications:
  - A use based application.
    - 15 U.S.C. 1051(a)
  - An intent to use based application.
    - 15 U.S.C. 1051(b)
U.S. TRADEMARKS - THE BASICS

- **Use based application**
  - is filed when the mark owner is presently using the mark in commerce or in the ordinary course of trade.

- **Intent to use based application**
  - is filed when the mark owner has a bona fide intent to use the mark in the ordinary course of trade and not to merely reserve a right in the mark.
U.S. TRADEMARKS - THE BASICS

Duration

- A U.S. federal trademark may last indefinitely if:
  - the mark owner can prove that he or she is continually using the mark in the stream of commerce;
  - the mark owner pays the requisite renewal fees; and
  - the mark owner has not allowed any unauthorized uses of the mark.
What is a copyright?

- A copyright is an original work of authorship affixed in a tangible medium of expression, now known or later developed, from which it can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.
Common Misconception: As soon as I use the © on my work I am federally protected.

Fact: You are protected under common law copyright theories; however, in order to sue for copyright infringement in federal court you must have a federally registered copyright.
What can be copyrighted?

- Literary works
- Musical works
- Dramatic works
- Pantomimes & Choreographic works
- Pictorial, Graphic & Sculptural works
- Motion Pictures
- Sound Recordings
- Architectural works
U.S. COPYRIGHTS - THE BASICS

You cannot copyright:
- Titles, names, or slogans
- Ideas or functional aspects
- Useful articles

Duration
- Typically, copyrights endure from the creation of the work and terminate seventy (70) years after the death of the author.
TRADE SECRETS – THE BASICS

What is a trade secret?

- A trade secret is information that derives independent economic value, from not being generally known and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.
What can be a trade secret?

- A trade secret can be defined as any formula, pattern, device, machine, process, technique, compilation of information, or program (referred to collectively as proprietary information).
- In addition, this proprietary information must be used in one's business and give a competitive advantage or a potential competitive advantage. The proprietary information must be kept secret so that, except by improper means, it is difficult to acquire. A famous example of a trade secret is the Coca Cola formula.
TRADE SECRETS - THE BASICS

- You cannot obtain a trade secret for:
  - Information that has no economic value
  - Information that is readily known or easily accessible

- Duration
  - Trade Secrets may last indefinitely, as long as the information is guarded safely and it does not become known outside of the trade secret holder.
Ownership of Creative Works
Ownership of Creative Works

- Ownership of creative works is an extremely important topic, as authors of created works must be aware of when and how the works they have created can and should be used.

- Often times the issue of who actually owns the creative work is a tangled web, as the creator may be working alone on his or her creation, a creator may have been hired to compose the creation, or a creator may be working in collaboration with other creators.
Ownership of Creative Works

As a general rule, the creator of the work is also the owner of the work he or she has created. However, there are instances in which the creator may not own the work he or she created. Typically this arises in 3 instances:

- the work was created by an employee within the scope of employment or the employee was "employed to invent";
- the work was created on company time with use of the company dime, thus the "shop right" doctrine may apply;
- the creator signed a contractual agreement such as an assignment or a "work-for-hire", wherein the creator has given his or her rights in the work to another party.
In most countries, both natural persons and corporate entities may apply for a patent. However in the U.S., only the inventor(s) may apply for a patent. The patent may then be subsequently assigned to a corporate entity.

In the U.S., if a patent is granted to more than one inventor, each inventor may freely license or assign their rights in the patent to another person. However, other countries prohibit such actions without the permission of the other inventor(s).
Transfer of Ownership

- Typically, patents are transferred via an Assignment Agreement.

- The ability to assign ownership rights increases the **liquidity** of a patent as property. Inventors may obtain patents and then sell them to third parties. The third parties then own the patents and have the same rights to prevent others from exploiting the claimed inventions, as if they had originally made the inventions themselves.
OWNERSHIP – U.S. PATENTS

QUICK NOTES:

- A patent is owned by the inventors if there is no assignment.
- Many times, inventors are forced to sign agreements assigning all of his or her inventions to the company, before employment occurs.
- Joint inventors and/or owners of a patent each own a 100% undivided interest in the patent.
A trademark may be owned by one or more persons and unless otherwise agreed on, each of those one or more people may have an undivided 100% interest in the trademark.

Resulting in each trademark owner having an equal joint interest in the entire trademark and the right to use the entire trademark without any consent of the other joint owners.
Each joint owner is free to use his or her mark(s) as a whole regardless of the amounts of his interest in ownership. Therefore, with respect to the use (or granting an exclusive right of use or licensing an ordinary right of use) of registered marks, joint owners are materially interested in each other on a personal basis.
Transfer of Ownership

- Trademarks may be transferred by any means of conveyance or operation of law.
- Trademarks may also be bequeathed by will or pass as personal property by the applicable laws of intestate succession.
- The transfer usually arises via a written contract and these contracts may be recorded with the U.S.P.T.O.
Initial Ownership.

- The author of a work initially owns the copyright. The author is someone who contributes *copyrightable expression* to the work.

- The authors of a joint work are co-owners of copyright in the work. In order to be joint authors of a work, each person must contribute *copyrightable expression* and intend at the time the work is created that all contributors will be joint owners of the whole finished work.
OWNERSHIP - U.S. COPYRIGHT

What is copyrightable expression?

- Poetry; prose; computer programming; artwork; musical notation; recorded music and/or song; animations; video footage; a Web page; architectural drawings; photographs.

- Mere facts; exact duplications of public domain works; ideas; systems; works created by employees of the Federal Government; titles and short phrases; logos and slogans; and forms that only collect information do not qualify as copyrightable expression.
“Works Made for Hire”

- The employer or other person for whom the work was prepared is considered the author and thus owner of all the rights associated with the copyright.
- The copyright in these works lasts for 95 years from publication or 120 years from creation, whichever is shorter. 17 USC 101
- The U.S. Copyright Office recognizes 9 statutory categories which are considered works made for hire, including:
  - contribution to a collective work
  - a translation
  - a compilation
  - an atlas
  - part of a movie or other audiovisual work
  - a supplementary work
  - an instructional text
  - a test
  - answer material for a test
EXAMPLE:

- Jim is employed by a motion picture company to create software code that is used for special effects. The code is protected by copyright. Since the motion picture company owns the copyright it can prevent Jim from reproducing the code in any software he may later write for another employer.
OWNERSHIP - U.S. COPYRIGHT

- If a copyrightable work were not within the scope of employment, the employee would own it.

- **EXAMPLE:**
  - Jim, the special effects programmer, writes a novel during his vacation. Jim owns the copyright in the novel.
Contributions to Collective Works.

- Each separate contribution to a collective work is distinct from the collective work as a whole, thus each may be afforded copyright protection.

- A separate contribution to a collective work vests initially in the author of the contribution and the owner of the copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work.
Transfer of Ownership

- The ownership of a copyright may be transferred in whole or in part by any means of conveyance or operation of law.

- Copyright ownership may also be bequeathed by will or pass as personal property by the applicable laws of intestate succession.
Transfer of Ownership

- A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.
Transfer of Ownership

- Any transfer of copyright ownership or other document pertaining to a copyright may be recorded in the Copyright Office if the document filed for recordation bears the actual signature of the person who executed it, or if it is accompanied by a sworn or official certification that it is a true copy of the original, signed document.
Trade secret laws encourage research and development by supplementing the patent system and supporting innovators who seek to retain the value of their discoveries.
“Employed to Invent”

- If there is not a signed agreement one looks to the "employed to invent" doctrine, which was established by the U.S. Supreme Court more than a century ago.
- The court ruled that when an employee has been employed and paid to accomplish and he or she does so accomplish, the accomplishment is property of his or employer. *Solomons v. United States*, 137 U.S. 342 (1890).
- Basically, if you hire someone because of his or her inventing or designing skills, or to create a specific innovation, you would own all rights to the employee's subsequent creation.
EXAMPLE:

- An engineer had no written employment agreement with his employer. He was assigned as the chief engineer on a project to devise a method of welding a "leading edge" for turbine engines. The engineer spent at least 70% of his time on the project. He developed a hot forming process (HFP) for welding a leading edge and perfected the process on his employer's time and using his employer's employees, tools and materials. The engineer claimed that he was the sole owner.

- The court held that the company owned the rights to the HFP process because the engineer was hired for the express purpose of creating it. That fact, combined with the use of the employer's supplies, payment for the work and the payment by the employer for the patent registration, demonstrated that there was an implied contract to assign the rights to the employer. *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403 (CAFC 1996).
“Shop Right” Doctrine

- When an employee creates a trade secret and there is no written agreement and the “employed to invent” principles do not apply, the employee may still not own his or her creation due to the “shop right” doctrine.

- The “shop right” doctrine is derived from state law and applies to both employees and independent contractors. A “shop right” can arise only if the:
  - (1) the trade secret has commercial value and is unknown to competitors,
  - (2) the trade secret is held in secrecy, and
  - (3) the trade secret was created by an employee using the employer’s supplies, materials, time, and workspace.
However, this is a hollow victory for the employer as the employee is free to use the trade secret to compete with the Employer, thus both parties would own the trade secret.

In addition, the employer must file a lawsuit to prove that it has a “shop right” since only a judge can ensure that a shop right exists.

The real benefit from the “shop right” would come if the employee patents the creation, ending its trade secret status. At that point the employer would have the right to use the innovation without infringing the employee's patent.
EXAMPLE:

- A consultant for a power company was hired to install and maintain an electrostatic precipitator. However, the power company was not happy with the operation of the device. The consultant, observing the problems, conceived of an innovation that would detect particles of ash.
- The power company installed the device at several locations and the consultant, who later acquired a patent, sued for infringement.
- A federal court ruled that the power company had a “shop right” since the consultant had developed the innovation while working at the power company and using the company's resources. *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576 (CAFC 1993).
Use of Creative Works
Marking of a Patented Article (Invention)

- Patented articles are required to be marked with the word "Patent" and the number of the patent. The penalty for failure to mark is that the patent owner may not recover damages from an infringer unless the infringer was duly notified of the infringement and continued to infringe after the notice.
Marking of a Patented Article (Invention)

- The marking of an article as patented when it is not in fact patented is against the law and subjects the offender to a penalty.
Some persons mark articles sold with the terms "Patent Applied For" or "Patent Pending." These phrases have no legal effect, but only give information that an application for patent has been filed in the Patent and Trademark Office. The protection afforded by a patent does not start until the actual grant of the patent.

False use of these phrases or their equivalent is prohibited.
Some Benefits of A Patent:

- Exclude others from practicing the invention.
- Intangible assets - increase the value of business.
- Royalty income through licensing the innovation covered by a patent.
- Mark dominance through proactively increasing patent portfolio.
USE – U.S. TRADEMARKS

- Proper use of federally registered trademark or service mark
  - There are responsibilities that come with owning a trademark. For having the right to keep others from using your mark, you must insure that the mark will be associated with quality goods and/or services. Once the mark has obtained a federal registration it’s up to you to keep the rights given to you for your trademark.
  - Failure to use the mark properly or to keep others from infringing on your mark can, and will, result in you losing the rights to your mark.
Key points to remember when using your trademark or service mark:

- **DO** use your trademark as an adjective, followed by the generic name of the good/service. Placing the word “brand” after your mark and before the generic name of your good/service helps guard against genericizing of the mark.
  - Kleenex® brand facial tissues
  - White Out® brand correction fluid
  - Sharpie® brand permanent marker
Key points to remember when using your trademark or service mark:

- **DO** use the TM, SM or ® every time you use your mark, especially if it is a logo or design, or when using it as an identification of source.
  - The ™ can be used on any mark being used in commerce.
  - The ® can only be used on marks that are registered federally.
USE - U.S. TRADEMARKS

Key points to remember when using your trademark or service mark:

- DO use the mark distinctively when using it in a sentence. Strive to differentiate the mark from the rest of the text, for example, underline, italicize, bold, USE ALL CAPS, or “put it in quotes”.
- DO use your mark properly and consistently.
Key points to remember when using your trademark or service mark:

- DO continuously peruse the U.S.P.T.O.’s trademark website, as well as the Official Gazette in order to watch for applicants trying to submit a trademark application for a mark that is similar to yours.
Key points to remember when using your trademark or service mark:

- DO create written licensing agreements and strictly enforce the use of your mark, should you decide to give 3rd party user’s the right to use the mark. You must exercise control over the quality and goods that your mark is being used on.
Many people do not realize that federal trademark protection can quickly be lost by making a few common mistakes.

- DO NOT use the mark as a verb. For example, “It will Xerox whole catalogs in minutes”.
- **DO NOT** let your mark become generic by letting it become indistinct.

- The marks below achieved ® status at one point; however, the marks have since lost it:
  - ASPIRIN, TRAMPOLINE, ESCALATOR, KEROSENE
  - YO-YO: Originally a trademark of Duncan Yo-Yo Company, the toy became commonly known by Duncan's trademarked term, "yo-yo". A competitor challenged Duncan's trademark and in 1965 Duncan lost an expensive court battle to protect their trademark, as the court held the word "yo-yo" was generic. As a result of the expensive litigation, Duncan went bankrupt and was re-purchased by another company, who still to this day insists in their marketing materials, "If it isn't a Duncan, it isn't a Yo-Yo".
USE – U.S. TRADEMARKS

- DO NOT create oral and/or informal licensing agreements.
- DO NOT permit third parties to genericize the mark. You should always maintain positive control of how your mark is used. For example:
  - Using the mark Cresent® Wrench to describe all adjustable open ended wrenches
  - Using the mark SeaDoo® to describe all personal water craft
  - Using the mark ZipLock® to describe all resealable plastic kitchen storage bags.
A federally registered trademark will give you significant advantages for protection and enforcement, that are likely not available from your common law rights. These benefits include:

- Allowing you to sue an infringer in federal court for statutory damages.
- Protecting your mark against the importation of clearly infringing foreign goods.
- Allowing you to use your mark nationwide.
- Providing a constructive notice of rights, ownership, evidentiary presumptions.
- Anti-counterfeiting remedies.
Copyright law has two main purposes, namely the protection of the author's right to obtain commercial benefit from valuable work and the protection of the author's general right to control how a work is used.

Thus owning a copyright affords the owner a bundle of exclusive rights including:

- the right to make copies;
- the right to sale the work;
- the right to prepare derivative works based on the work, such as a translation, dramatization, motion picture version, fictionalization;
- the right to publicly perform the work; and
- the right to publicly display the work.
If you have a federally registered copyright and someone infringes on your bundle of rights, the infringer may be liable for copyright infringement.

However there is a limitation on the your bundle of rights called the "fair use" exemption. The "fair use" exemption was created to allow commentary, criticism, parody, news reporting, research and education about copyrighted works without having to obtain the author of the copyrighted works permission.
Nevertheless the “fair use” exemption is not a free pass to infringe, as the Courts look at the purpose and character of the use (i.e. was the use commercial in nature or for a nonprofit educational purpose); the nature of the copyrighted work; the amount used in relation to the copyrighted work as a whole; and the effect of the use upon the potential market or value of the copyrighted work.

Unlike trademarks, one does not have to actively police its copyrights nor does one have to actually use its copyrights in order to protect it.
USE - TRADE SECRETS

- Patents, trademarks and copyrights grant an owner the exclusive right to disclose information to the public with legal protection against others for use of the information.

- However, trade secrets are different from the other three types of intellectual property, as trade secret law protects against wrongful access to information.

- Trade secrets maintain their economic value from not being readily known or ascertainable, in actuality the information is economically valuable because it is kept a secret.
USE - TRADE SECRETS

- Public disclosure terminates the trade secret. It does not matter how the disclosure occurred it simply matters that it happened.

- Thus whether the trade secret is intentionally, unintentionally, or fraudulently brought into the light of day….it kills the trade secret.
How does one maintain a trade secret?

- Security measures should be put into place, for example:
  - limiting the disclosure of the trade secret to a “needs-to-know” basis;
  - physical limitations to areas where the trade secret is held;
  - informing employees of restrictions regarding trade secret;
  - exit interviews with employees;
  - implementing visitor control systems;
  - separating out the trade secret into multiple pieces; and
  - destruction of documentation.
How does one maintain a trade secret?

- Contractual agreements should also be signed in order to establish trade secret policies, such as:
  - nondisclosure agreements with employees and 3rd party vendors;
  - confidentially agreements with employees and 3rd party vendors;
  - covenants not to compete; and
  - assignments.
So how does one keep it a Trade Secret?

- At KFC only 2 executives know the recipe of 11 herbs and spices and a 3rd executive knows the combination to the safe where the handwritten recipe resides. The 3 executives are not allowed to travel together and less than a handful of KFC employees know the identities of the 3 executives. Recently, KFC modernized its security and relocated the Colonel’s handwritten 68 year old to a secret-secure location via armored car and high-security motorcade.

- The WD-40 formula has only been taken out of the locked bank vault in which it resides twice. Once to change banks and once for the CEO’s 50th Birthday Party. The secret formulation is actually mixed in three separate locations San Diego, Sydney and London and then sent to aerosol manufacturing plants.
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