December 2006

Intellectual Property:
A media buzz word important to companies of every size

by John F. Letchford

A simple Google News search for "intellectual property" conducted in late September returned headlines such as "Barenaked Ladies [a popular rock group] Generate $978,127.99 In Revenue from Intellectual Property in the First Week" and "Zebra Technologies [a major global provider of bar coding devices] Buy $10 Million in RFID Intellectual Property".

Popular media tells us that companies such as IBM, Canon and Hewlett-Packard obtained 2,941, 1,828, and 1,797 patents in 2005 respectively. But how many of us fully understand exactly what is encompassed by the broad term intellectual property and moreover, how many of us know the consequences of failing to adequately protect our intellectual property assets both at an individual and corporate level?

Intellectual property is an umbrella term for several distinctly different categories of protection. The three main types of intellectual property are patents, trademarks and copyrights. Each provides its own scope of protection and has a specific procedure for obtaining registration.

Patents

A patent protects the utility of a new and useful invention such as a process, a machine, an article of manufacture, a composition of matter, or any new and useful improvement on a preexisting invention. A patent enables its holder to prevent others from making, selling or using the subject matter covered by the claims of the patent.

Trademarks

A trademark is a word, phrase, name, symbol, picture or other device that is used in connection with specific goods or services of a company or organization and is used to distinguish the holder's goods and services from the goods and services of others. A federally registered trademark creates the presumption that the registrant has the exclusive right to use the mark in commerce in the United States in connection with the specified goods or services.

Copyrights

A copyright provides the creator of an original work of authorship with protection for the tangible expression his ideas, but not the ideas themselves. Copyrightable material includes literary, dramatic, musical and artistic works as well as websites and company brochures.

While news stories regarding intellectual property typically center on major corporations and entertainers, intellectual property protection is available to and enforced equally for all businesses and individuals. The US Department of State estimates that over 50% of our country's exports now depend on some form of intellectual property protection and it is likely that domestic statistics are similar. We protect our other valuable assets with life insurance, homeowner's policies, and car insurance. Why not make sure that your intellectual property assets are likewise adequately protected? §

Who Owns Your Employees' Inventions?

by John F. Letchford

The law governing ownership of invention, trade secret and patent rights between employers and employees is premised on a few well-settled principles.

As a general rule, an employee retains ownership of any invention or trade secret conceived and/or reduced to practice while in the course of his or her employment. In such case, in consideration for the employer's provision of its property, personnel and other resources that enable the employee's discovery, the employer usually receives a "shop right" to practice the employee's patented invention. A shop right is a non-exclusive, non-transferable, royalty-free license to use the invention.

If an employee is in a position of trust with respect to the employer (e.g., an officer) or is hired to solve a specific problem or exercise his or her inventive faculties in a particular area, the employer typically owns the employee's invention. Alternatively, the parties may expressly agree, either before or after the time of invention, that employment-related trade secrets and inventions shall be owned in whole or in part by the employer. Agreements of this sort are governed by ordinary principles of contract law and are usually held to be enforceable.

Employment agreements commonly include clauses stating that all inventions or discoveries made by an employee in connection with his or her employment, whether patentable or not, shall be the sole property of the employer. Manufacturing corporations and universities have long required

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their research and engineering personnel to expressly agree to assign ownership of all inventions arising from the course of their employment. Indeed, this practice is typically a precondition to employment in academia and manufacturing industries and has enabled many large companies to amass vast patent portfolios.

To the contrary, employers in service industries have had little need or incentive to include invention or other intellectual property rights assignment clauses in their employment agreements. A large portion of activity in service industries involves methods of doing business. Historically, these methods have been treated as tightly guarded trade secrets. Moreover, it has long been assumed that methods of doing business do not constitute subject matter eligible for patent protection in the United States.

However, recent changes in U.S. Patent Law expressly authorize patenting of methods of doing business. New methods of retailing, distributing, inventorying and marketing of goods and services, as well as new methods of financial forecasting and trading, whether conducted online or otherwise, are now but a few in the spectrum of business methods available for patenting by creative, forward-thinking companies interested in utilizing the U.S. patent system to their competitive advantage. In addition, this dramatic expansion of U.S. Patent Law is increasingly being adopted by other countries. Together, these phenomena are fundamentally altering how business is conducted domestically and internationally. That is, after thoughtful deliberation weighing the costs and benefits of public disclosure associated with a patent, a service business may choose to protect a novel business method as a trade secret for its exclusive use and enjoyment. Alternatively, it may seek to patent the concept in the U.S. and elsewhere and commercialize the idea through licensing to others.

To effectively retain exclusive rights in these potentially valuable properties, however, employers in services industries must be aware of this sea change in patent law and its sweeping ramifications. Now, like their counterparts in manufacturing industries, services industries employers would be wise to incorporate appropriate intellectual property assignment clauses, including specific patent and invention assignment language, in all of their employment agreements. Moreover, it is not always easy to predict from which employee a novel and useful idea might arise. Accordingly, it would be wise to institute a policy requiring such employment agreements to be executed as a precondition to employment of all employees.

In addition to implementation of effective employment agreement policies, services industries employers should seek to ensure uniformity and reliability in how their proprietary know-how and inventions are internally documented and recorded. Such documentation is especially useful in disputes with other parties concurrently seeking U.S. patent protection for the same or similar subject matter. Invention disclosure forms memorializing invention disclosures, conception dates and the like are a simple way to achieve this objective. §

Archer & Greiner's Intellectual Property Group has experience in a wide range of intellectual property issues and keeps pace with the ongoing development of intellectual property law in the modern era of electronic commerce and the Internet.

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