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Protecting Innovative Technology For Goods and Services in the U.S. and Abroad

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Allow me to explain that, at the suggestion of our Conference leader, the scope of my presentation today extends beyond the U.S.-Canada interface to that dealing with protecting innovative technology here and abroad generally. My objective is to identify actual or perceived areas of innovative technology in order to protect a client's intellectual property rights in such technology, while eliminating, or at least minimizing, the client's exposure to another intellectual property owner's rights.

Intellectual property ("IP") is understood to include inventions as well as patents; works of authorship, more often referred to as copyrights; trademarks, including service marks; trade secrets, as well as proprietary technical data; and semiconductor chip mask works or layout designs.

There are essentially three things that must be present in an effective and adequate intellectual property regime: 1) protection for intellectual property rights whether appropriate by patent, copyright, trade secret or other measures; 2) protection against piracy, counterfeiting or simply infringement of such protected intellectual property rights; and 3) a judicial enforcement scheme which will make such "prevention" possible through a system of consultations, dispute settlement and enforcement remedies, including damages, injunction and, in appropriate situations, penalties.

THE IP AUDIT

This activity for the protection of innovative technology is referred to as a form of "IP audit." This is a process during which an intellectual property check list is applied against such technology. The audit will identify a need for intellectual property protection, for example, patent, copyright or trade secret, and will produce an examination of one's own product or service in order to guard against an infringement charge by another.

A successful IP audit calls for a good imagination, particularly on the part of the intellectual property attorney. Assume, for instance, that a new product is a computer-controlled box for carrying out a function.

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Just think about the almost endless list of things that should be considered in order to carry out the IP audit. For example:

- 1) What about every part in the box? Is it new? Is it protectible? If so, how? By patent, copyright, trade secret or the U.S. semiconductor chip protection law? Is it possible that someone else already has it protected?
- 2) What about the relationship of one part with other parts — are these new, novel and non-obvious subcombinations?
- 3) Might such parts or subcombinations be made according to a manufacturing process which provides the new product owner with a significant competitive advantage?
- 4) What about purchasing parts and subparts from vendors who could be selling infringing materials? Where does liability lie?
- 5) How do we handle vendors who are illusive pirates and counterfeiters from foreign lands?
- 6) What liability will the marketer of the box have to its customers should a third party obtain an injunction or sue the customer for infringement? In such a situation, will the vendor have to indemnify the customer?
- 7) Is the computer program that controls the function in the box copyrightable? Is it protected? Can it be readily copied by others?
- 8) What about the applicability of all such questions and concerns in foreign countries? Where should “right-to-use” searches and studies be made?

It would seem that this kind of imaginative analysis could go on endlessly, and I suppose it can to a point, but the process must stop somewhere to fit into a realistic world.

Let’s look into the reasons for instituting an intellectual property protection system which is one corner stone of an IP audit scheme, for example, a system to patent inventions, to copyright works of authorship or to safeguard trade secrets in accordance with proper legal standards.

Why should we patent inventions? First, to obtain freedom of manufacturing and marketing action. This allows senior company management the latitude or freedom to decide just what new product or service to offer the public without concern for litigation by another. This must be done for each country in which we do business since patent rights stop at a respective country’s border.

We also seek patents on inventions to protect the research and development (“R&D”) investment in future products. Imagine a \$500 million project for which no patents are obtained. Where will that project stand if it produces a new product which may some day require freedom of manufacturing and marketing action? Good planning and project management would tell us to seek good patents on merit inventions as the \$500 million R&D project is played out. Look upon this as an insurance policy for the future.

We seek patents on inventions to develop a portfolio of patents that constitute good trading material. If I have patents that you want, and

you have some that I want, we may be able to trade or cross-license. As a corollary to trading, we often seek patents on inventions in order to generate royalty income through licensing others.

Sometimes we seek patents on inventions in order to display technological capability. This may be particularly useful in connection with federal procurement activities where such a display of technical capability may be an impressive factor in a proposal responding to an invitation to bid. Historically, patents have been particularly useful to display a capability in a given technology or product line. This is probably due to the patent statute which mandates a level of capability as evidenced by invention and non-obviousness.

We also benefit from patents indirectly, for instance by supporting an image of being a progressive, innovative employer, or by motivating employee-inventors through recognition for creative work. In all of this, patents are viewed as positive factors because they generate a public benefit by disseminating knowledge through an advancement of arts and sciences.

What considerations should be given in any institution maintaining an in-house R&D patent system? Time permits only a cursory commentary.

First, is there a satisfactory employer-employee relationship with respect to allocating innovative rights? Does an invention rights agreement exist? Is it one that continues to be applicable as an employee moves from one job, where the employee may not be expected to invent, to another job, where the employee is expected to invent?

Is an employee actually carrying baggage from a previous employer's job because of a trailer clause that continues to bind the employee to the previous employer? Has the new employee been interviewed early-on, and given orientation where, among other things, he is told not to carry-over trade secret type ideas from the previous job to the assignment at the new job? When an employee leaves a company, is there a separation interview to ascertain whether undisclosed invention disclosures exist and to caution the outgoing employee against revealing company trade secrets in the future? There is a need to orient scientists, engineers and programmers about how to identify inventions and other forms of creativity. Also, there is a need to explain the evaluation procedure. Is a particular invention novel? Does it display unusual or unexpected results? Is it non-obvious over prior art? Is it patentable subject matter? This is a current question with respect to certain genetic engineering innovations.

Are facilities available to carry out patentability investigations through prior art searches, through searches of printed works and machine readable works in electronic data bases? Many of the latter are now at personal computer, finger-tip level so as to bring the libraries of the world to your office. Since the annual increase in printed and pub-

lished works is huge, some methodology and mechanism must be on hand to permit carrying out an effective prior art search function.

What other invention-evaluation steps are advisable in addition to the patentability and prior art studies? There are at least two: a technology review and a business review.

The technology review addresses such points as the value of operational results attributable to technical aspects of an innovation; the probability of another's ability to avoid a particular inventive design; the possibility of technical merit or significance of an invention (for example, is it a Nobel Prize winner); and the prospect of other acceptable solutions to problems solved by a given invention because of the state of the art.

A business review, on the other hand, looks to such things as the possibility of using an invention in a planned program or whether the invention will be implemented in a new product. Such business review should address the type of market for a commodity containing the innovation. For instance, whether it is governmental or commercial. An example of a factor pertinent to the type of market is the availability, or lack thereof, of an injunction. It is not available in a claims court under government action. A business review should also broadly address the value of an invention to others.

In summary, once an invention disclosure is submitted, the subject invention can be evaluated from the results of patentability, technical and business reviews. Accordingly, an invention may be rated "file," that is, it should be made the subject of a patent application. Sometimes an invention may be rated "file" even if it is not very technically sophisticated, if it is rated high business-wise or if there is an anticipated major use of the invention in a new product. On the other hand, it may be rated "file" simply because the invention is a superior manufacturing process which mandates a high technical rating.

Invention disclosures can be rated "file," or "publish" for the more limited defensive protection available through publication, or simply "close" to drop the disclosure or to keep the invention under wraps, as with a trade secret.

Preparation for invention disclosure and record keeping on inventions are each to some extent administrative burdens, particularly in terms of the time needed to carry out the tasks. This is why some employers add the submission of invention disclosures to the performance plan of an employee scientist or engineer.

Accordingly, we can see that award programs, as well as performance plan requirements, assist in getting disclosures submitted for evaluation, and that thereafter we can evaluate such disclosures to create a selective filing program by rating disclosed inventions on the basis of patentability, technical and business reviews.

COPYRIGHT CONSIDERATIONS

Once we leave “traditional works of authorship” such as books, the most economically significant copyrightable work is computer software. This is a term which typically includes computer programs, related documentation and data bases.

The copyrightability of a computer program is dependent upon the original literary expression recited therein. Continue to think about this in connection with an IP audit: the patentability of an invention related to the previously copyrightable computer program expression will depend upon the content of patentable subject matter, novelty, utility and non-obviousness. Further, the fact that such computer program may be embedded in a semiconductor chip does nothing to negate any appropriate protection available under the semiconductor chip protection law. Furthermore, a particularly good manufacturing process for making such a chip can be kept a trade secret. This shows how various intellectual property protection schemes that are available under the law can be used to protect a variety of intellectual property rights.

Getting back to copyrights, remember that the United States joined the prestigious Berne Convention on March 1, 1989. The United States has been a member of the Universal Copyright Convention since the 1950s. It is the very existence of these international treaties that has provided the mechanism and motivation to protect computer programs under national copyright including the U.S. Copyright Act.

The computer program copyright law and Copyright Office practice are on a shake-down “cruise,” and they are still developing with respect to registering computer programs written in source and object code; the viability of such non-literal similarity as “look and feel” and “structure, sequence and organization”; and the registerability of computer generated typefont designs.

Thus far in our in-house IP audit, we have focused on protecting intellectual property creativity in hardware (e.g., inventions) and in software (e.g., copyright protected computer programs). This focus has centered on protection activity within the United States. But what about intellectual property protection outside of the United States? It ranges from good in some developed countries to non-existent in some developing countries.

A key reason for the very important GATT intellectual property exercise in the current Uruguay Round is to add an adequate and effective intellectual property code in GATT with the expectation that it will be followed by corresponding adequate and effective national intellectual property laws and practices.

Every country or region has its own laws or practices that must be properly reckoned with during an IP audit. Differences exist with respect to patentable subject matter; a need to guard against divulgence, which is a singularly foreign matter; a first-to-file practice that is also

peculiarly foreign in character; and so on. Our IP audit must take into account foreign related matters as well as those in the United States for those countries and regions in which we anticipate doing business. Europe in 1992 should be a new challenge.

TRADE MARK AND SERVICE MARK CONSIDERATIONS

A mark identifies the origin of a product or service. The trademark is actually used in the form of an adjective, for example, "an XYZ typewriter," where "XYZ" is the mark. But it is never used in the form of a noun, that is, it is never used to refer to the typewriter as simply "the XYZ." Such misuse can lead to loss of the mark.

An important law was enacted in the United States by the 100th Congress to amend the Trademark Act so that actual use of the mark is no longer a necessary prerequisite to qualify for mark registration. Under the new law, simply an intent to use the mark is acceptable to effect the registration process in the U.S. Patent & Trademark Office.

The selection procedure for a mark takes a variety of factors into account. For example, there may be a high level of interest in using even a weak mark for a short time if it can be effective in advertising or can be expected to be used frequently by the public in connection with the owner's commodity or service.

I remember a mark that was weak because it ran the danger of being considered descriptive, but it was nevertheless extremely valuable for a limited period of time following introduction of the service to which the mark was applied and with respect to which products were associated.

The value of marks has grown over the years, due in part to the extensive communications capabilities of radio, television and improved publications. Trademark activity in the U.S. Patent & Trademark Office has also increased significantly.

Trade secrets are very important due to the competitive advantage gained through their use. Most states still follow the Restatement of Torts formulation, while approximately a dozen states have picked up on the Uniform Trade Secret Act, even though each of these states seems to have added its own respective twist to each adaptation of the Act.

In my view, a trade secret is not necessarily the same as "proprietary data." The latter may or may not even be confidential. The secret, in order to be a legally protectible trade secret, must meet certain statutory and judicial requirements. Proprietary or confidential data need not necessarily meet such requirements to be protectible data. The latter may be protected under contract, through some form of intellectual property protection, or such regulatory fiat as federal procurement regulations.

Trade secrets in the tort context are practically non-existent outside of the United States, whereas proprietary or confidential data are commonly protectible abroad through contract, for example.

In-house security considerations may guard against public or for-

eign release of sensitive data. The Omnibus Trade Act enacted by the last Congress relaxed requirements in this area; however, vigilance is still necessary in order to guard against the loss of property rights and to generally stay out of trouble.

Some companies have an external submissions practice. This is a system to receive and evaluate ideas and innovations submitted by persons other than employees. Such companies may also have an internal suggestion plan to reward employees for money saving suggestions, whether or not they are inventions.

Pre-marketing considerations are important. They include such things as identifying elements in a new product, reviewing the elements to ascertain whether any of them infringe the intellectual property rights of another and if so, what level of risk assessment exists. Anticipatory intellectual property licensing can be a good approach to take before the new product hits the open market because, following introduction of such a product, the licensing fee is likely to increase markedly.

Ornamental designs can be important; however, design patents may not provide dependable protection. Legislation is currently pending in the United States to offer a more limited industrial design protection for a creation that is not necessarily an invention, but its progress has been slow.

The marketing considerations outlined in this Paper are directed to computer software marketing vis-a-vis sale, lease or rental. Whether a user of copyrighted software can make a backup copy will depend upon compliance with section 117 of the U.S. Copyright Act, as well as applicable contract provisions. Whether a user can reverse compile a computer program will depend upon whether such act requires the unauthorized making of a derivative work and whether the reverse compiling is prohibited by agreement with the vendor.

The availability of enforcement mechanisms are significant considerations with respect to infringement, piracy and counterfeiting. There is, of course, the availability of judicial enforcement. There are also International Trade Commission actions. However, it is necessary to keep in mind that the last U.S. Congress eased up in the area of section 337 actions, whereas a more recent GATT holding tightened up such actions.

The U.S. Customs Service often can be helpful in stopping piratical type imports at the border. Trademarks and copyrights recorded with customs officials will be acted upon by the Customs Service. On the other hand, actions predicated upon patents or the Semiconductor Chip Protection Act need to be addressed by the International Trade Commission.

